

OVERVIEW OF GOVERNOR SNYDER'S FY 2018-19 BUDGET



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February 14, 2018

<http://www.senate.michigan.gov/sfa/>

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APPROPRIATIONS OVERVIEW

Summary

On February 7, 2018, Governor Rick Snyder presented his fiscal year (FY) 2018-19 State Budget Message and his budget projections for FY 2019-20. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would be only an expression of an "intent to appropriate", not binding or legally enforceable. This overview will focus on Governor Snyder's FY 2018-19 appropriation recommendation.

The FY 2018-19 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 11, 2018. The FY 2018-19 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$10.3 billion. This represents a 0.3% increase from the FY 2017-18 GF/GP consensus revenue estimate. The FY 2018-19 School Aid Fund (SAF) consensus revenue estimate is \$13.5 billion, a 2.9% increase from the FY 2017-18 consensus revenue estimate. The Governor's FY 2018-19 recommendation proposes one fee adjustment in the Department of Environmental Quality that would raise \$73.9 million from an increase of solid waste disposal fees, commonly referred to as "tipping fees". This new fee revenue would be used primarily for environmental cleanup and brownfield redevelopment. The Governor also is recommending statutory changes that would direct the deposit of 25.0% of the unassigned year-end GF/GP revenue balance to the Budget Stabilization Fund, and redirect \$13.0 million of Transportation and Economic Development Fund revenue to the State's General Fund. In addition, the Governor proposes to phase out driver responsibility fees (DRFs) by the end of FY 2018-19 and to provide forgiveness of certain outstanding DRF debts, resulting in GF/GP revenue losses. All of these fee and revenue proposals would require statutory change.

The Governor recommends FY 2018-19 Gross appropriations of \$56.8 billion and Adjusted Gross appropriations of \$55.9 billion. Included in this appropriation total are \$22.7 billion of Federal funds, \$385.9 million of local and private funds, \$22.8 billion of State Restricted revenue, and \$10.0 billion of GF/GP revenue. Table 1 outlines the sources of funding for each department and budget area included in the Governor's recommendation. Figures A and B illustrate the total funding by source and major spending category. Compared with FY 2017-18 year-to-date appropriations, the Governor's FY 2018-19 budget includes a Gross appropriation increase of \$173.6 million or 0.3%, an increase in State Spending from State Resources appropriations of \$599.8 million or 1.9%, and a decrease in GF/GP appropriations of \$32.1 million or 0.3%.

The principal reasons for the increase in State Spending from State Resources appropriations are costs associated with Medicaid match in the Department of Health and Human Services; funding increases in the School Aid budget for the foundation allowance and the Michigan Public School Employees' Retirement System; and a nearly \$400.0 million increase in State Restricted and GF/GP revenue for the Department of Transportation. Tables 2-4 compare the Governor's FY 2018-19 recommendation for Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2017-18 year-to-date appropriations. Table 5 compares the FY 2018-19 recommended number of 53,358.5 full-time equated (FTE) positions to the FY 2017-18 level of 52,893.5 FTEs, an increase of 465.0 positions or 0.9%.

The FY 2018-19 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 6 outlines the proposed FY 2018-19 one-time appropriations by fund source, with a Gross total for all budget areas of \$318.7 million. The Governor's budget does not include any new appropriation for the Budget Stabilization Fund.

Table 7 lists the estimated State payments to local units of government for FYs 2017-18 and 2018-19, of \$18.0 billion and \$18.5 billion, respectively. The estimate for FY 2018-19 would result in a surplus of these "Section 30" payments of more than \$2.0 billion, compared to the required level of payments to locals.

Tables 8 and 9 present the GF/GP and SAF balance sheets for FY 2017-18, FY 2018-19, and FY 2019-20, which, when combined, reflect positive ending balances for all three fiscal years.

The total Gross and GF/GP dollar changes from FY 2017-18 to FY 2018-19 are an increase of \$173.6 million Gross and a decrease of \$32.1 million GF/GP. Table 10 shows that the \$32.1 million GF/GP decrease consists of \$0.5 million of GF/GP funding for new programs; \$457.5 million of GF/GP funding increases; \$401.9 million of GF/GP funding reductions; a \$144.5 million GF/GP decrease due to fund shifts; and an increase of \$56.3 million GF/GP due to program transfers and economic and unclassified salaries' adjustments. Tables 11-15 provide the details of these changes.

The FY 2018-19 School Aid Fund budget changes proposed by the Governor are outlined in Table 16. As the table indicates, the net change in SAF appropriations is an increase of \$51.7 million. This \$51.7 million change consists of \$10.5 million for new programs, \$482.8 million of funding increases for existing programs, and \$441.6 million of funding reductions.

The Governor's fee and revenue proposals are summarized on pages 31 and 32. This summary includes an update of the personal property tax reform issue that the Governor has tied to his lack of State funding increases for community colleges, fire protection grants, and State Revenue Sharing. Tables 17-27 outline background information regarding major budget areas and other general appropriation issues, and Tables 28-37 provide recent State appropriation history.

On an overall basis, the Governor's FY 2018-19 budget proposal increases Gross appropriations by 0.3% and State Spending from State Resources appropriations by 1.9%, while reducing GF/GP appropriations by 0.3%. The primary reason for the reduction in GF/GP appropriations is the shift of nearly \$300.0 million of K-12 and Higher Education GF/GP appropriations to the School Aid Fund. As in his previous seven budgets, the Governor's eighth and final budget message includes performance measures for State programs.

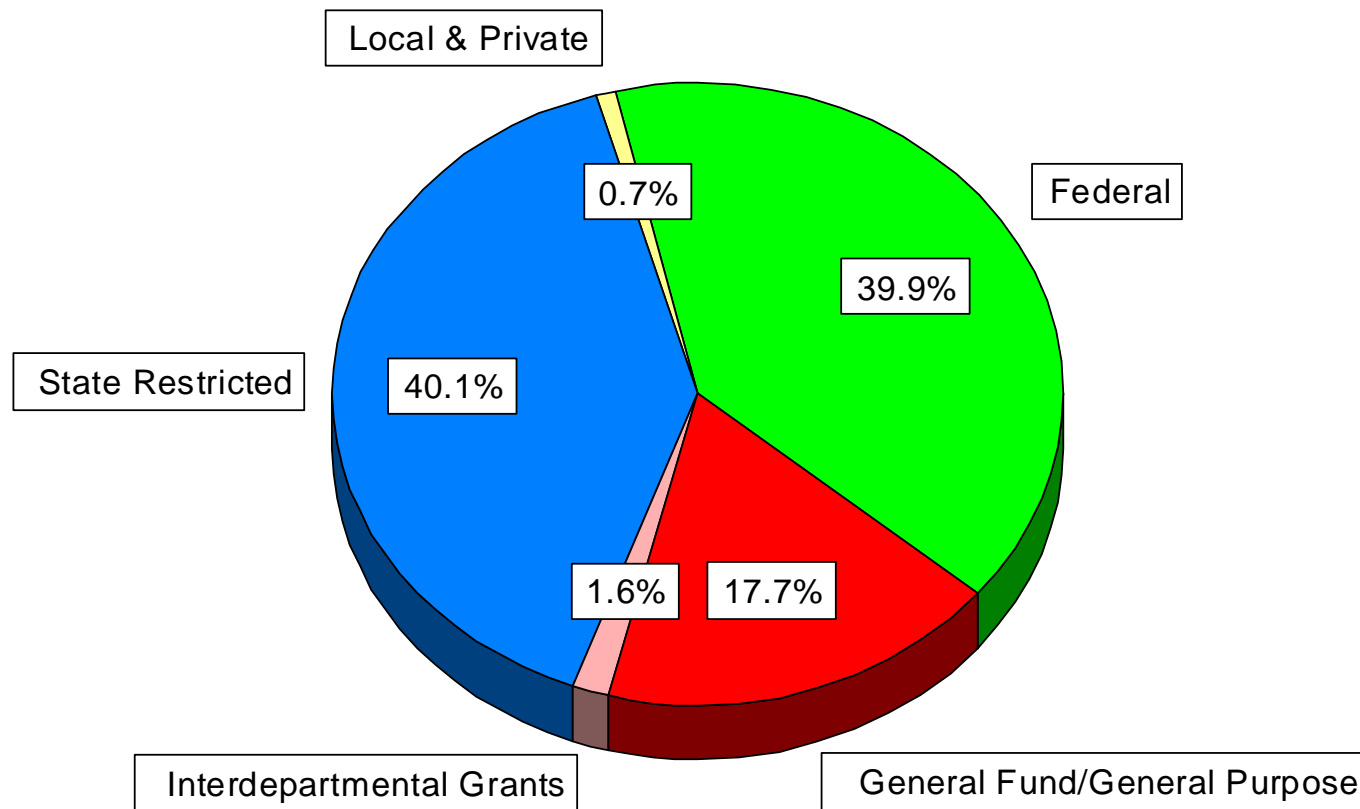
Table 1

FY 2018-19 GOVERNOR'S RECOMMENDATION BY SOURCE OF FUNDS							
Department/Budget Area	Gross	IDGs	Adjusted Gross	Federal	Local & Private	State Restricted	General Fund/ General Purpose
Agriculture & Rural Development	\$102,888,100	\$313,900	\$102,574,200	\$11,695,200	\$101,800	\$37,072,000	\$53,705,200
Attorney General	102,028,900	30,386,400	71,642,500	9,628,500	0	21,907,200	40,106,800
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,201,100	299,100	15,902,000	2,802,700	18,700	58,500	13,022,100
Community Colleges	405,015,500	0	405,015,500	0	0	405,015,500	0
Corrections	2,035,125,100	0	2,035,125,100	5,315,200	8,960,100	40,939,600	1,979,910,200
Education	357,107,300	0	357,107,300	255,366,800	7,888,600	8,668,200	85,183,700
Environmental Quality	494,588,000	3,143,700	491,444,300	160,225,400	1,061,700	283,210,700	46,946,500
Executive	6,980,100	0	6,980,100	0	0	0	6,980,100
Health & Human Services	25,240,354,300	13,813,700	25,226,540,600	17,955,593,700	271,522,800	2,456,898,500	4,542,525,600
Higher Education	1,658,932,600	0	1,658,932,600	113,026,400	0	385,688,300	1,160,217,900
Insurance & Financial Services	67,571,900	713,800	66,858,100	2,017,300	0	64,690,800	150,000
Judiciary	301,783,300	1,551,300	300,232,000	5,987,400	7,581,400	92,879,500	193,783,700
Legislative Auditor General	24,938,000	5,823,400	19,114,600	0	0	2,008,800	17,105,800
Legislature	157,281,800	0	157,281,800	0	400,000	4,394,300	152,487,500
Licensing & Regulatory Affairs	500,462,100	48,414,300	452,047,800	65,744,400	211,800	297,271,300	88,820,300
Military & Veterans Affairs	189,089,300	101,800	188,987,500	98,170,200	2,175,400	23,279,500	65,362,400
Natural Resources	436,705,300	232,200	436,473,100	81,731,600	7,431,400	299,965,800	47,344,300
Natural Resources (Trust Fund)	0	0	0	0	0	0	0
School Aid	14,635,968,800	0	14,635,968,800	1,724,743,500	0	12,866,225,300	45,000,000
State	254,662,800	20,000,000	234,662,800	1,460,000	50,100	214,686,400	18,466,300
State Police	711,814,700	24,728,300	687,086,400	78,223,600	5,261,800	148,698,200	454,902,800
Talent & Econ. Development	1,118,945,600	0	1,118,945,600	762,645,800	6,121,700	183,432,300	166,745,800
Technology, Mgt., & Budget	1,360,504,900	751,777,000	608,727,900	5,033,700	2,471,000	114,457,400	486,765,800
Transportation	4,705,089,900	4,092,500	4,700,997,400	1,318,271,700	51,432,000	3,156,293,700	175,000,000
Treasury (Debt Service)	107,580,000	0	107,580,000	0	0	0	107,580,000
Treasury (Operations)	525,354,200	12,780,300	512,573,900	27,128,000	13,163,200	371,069,400	101,213,300
Treasury (Revenue Sharing)	1,298,609,300	0	1,298,609,300	0	0	1,298,609,300	0
TOTAL APPROPRIATIONS	\$56,815,582,900	\$918,171,700	\$55,897,411,200	\$22,684,811,100	\$385,853,500	\$22,777,420,500	\$10,049,326,100

Figure A

Appropriations by Source of Funds

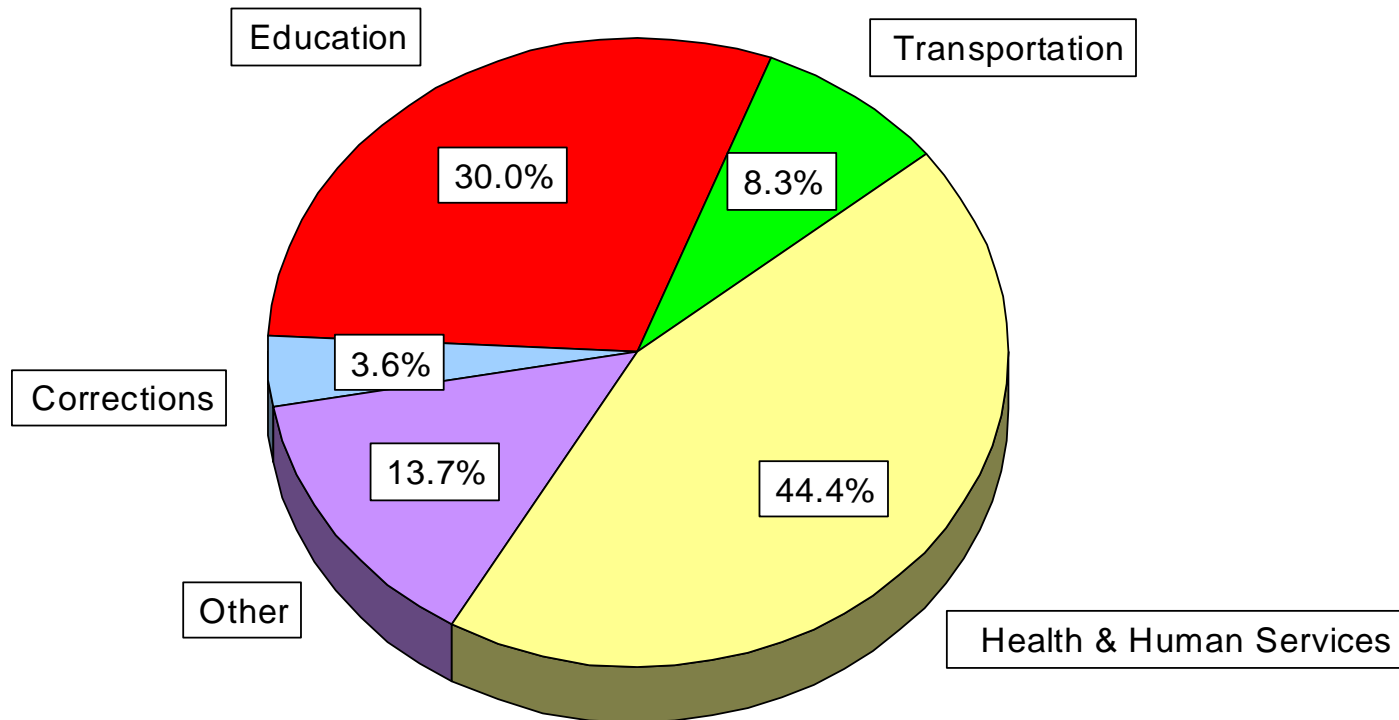
FY 2018-19 Governor's Recommendation Gross



Total = \$ 56,815,582,900

Figure B

Gross Appropriations by Major Category FY 2018-19 Governor's Recommendation



Total = \$ 56,815,582,900

Table 2

GROSS APPROPRIATIONS				
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2017-18 Year-to-Date Appropriations	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$114,698,600	\$102,888,100	(\$11,810,500)	(10.3%)
Attorney General	101,798,800	102,028,900	230,100	0.2
Capital Outlay.....	800	0	(800)	(100.0)
Civil Rights	16,249,600	16,201,100	(48,500)	(0.3)
Community Colleges	399,326,500	405,015,500	5,689,000	1.4
Corrections	2,001,919,200	2,035,125,100	33,205,900	1.7
Education	352,181,200	357,107,300	4,926,100	1.4
Environmental Quality	551,505,200	494,588,000	(56,917,200)	(10.3)
Executive.....	6,848,500	6,980,100	131,600	1.9
Health & Human Services	25,509,303,800	25,240,354,300	(268,949,500)	(1.1)
Higher Education.....	1,629,224,400	1,658,932,600	29,708,200	1.8
Insurance & Financial Services.....	66,741,400	67,571,900	830,500	1.2
Judiciary	300,043,000	301,783,300	1,740,300	0.6
Legislative Auditor General	24,286,200	24,938,000	651,800	2.7
Legislature.....	155,274,800	157,281,800	2,007,000	1.3
Licensing & Regulatory Affairs	434,672,000	500,462,100	65,790,100	15.1
Military & Veterans Affairs	179,504,400	189,089,300	9,584,900	5.3
Natural Resources	409,993,500	436,705,300	26,711,800	6.5
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	14,584,313,900	14,635,968,800	51,654,900	0.4
State	254,358,500	254,662,800	304,300	0.1
State Police	698,946,800	711,814,700	12,867,900	1.8
Talent & Economic Development.....	1,179,421,800	1,118,945,600	(60,476,200)	(5.1)
Technology, Management, & Budget.....	1,412,643,200	1,360,504,900	(52,138,300)	(3.7)
Transportation	4,349,443,000	4,705,089,900	355,646,900	8.2
Treasury (Debt Service)	107,580,000	107,580,000	0	0.0
Treasury (Operations)	513,929,900	525,354,200	11,424,300	2.2
Treasury (Revenue Sharing).....	1,287,738,100	1,298,609,300	10,871,200	0.8
TOTAL APPROPRIATIONS.....	\$56,641,947,100	\$56,815,582,900	\$173,635,800	0.3%

Table 3

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2017-18 Year-to-Date Appropriations	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$102,912,800	\$90,777,200	(\$12,135,600)	(11.8%)
Attorney General	62,365,500	62,014,000	(351,500)	(0.6)
Capital Outlay.....	800	0	(800)	(100.0)
Civil Rights	13,158,500	13,080,600	(77,900)	(0.6)
Community Colleges	399,326,500	405,015,500	5,689,000	1.4
Corrections	1,987,783,000	2,020,849,800	33,066,800	1.7
Education	90,245,000	93,851,900	3,606,900	4.0
Environmental Quality	377,806,800	330,157,200	(47,649,600)	(12.6)
Executive.....	6,848,500	6,980,100	131,600	1.9
Health & Human Services	6,822,471,200	6,999,424,100	176,952,900	2.6
Higher Education.....	1,517,698,000	1,545,906,200	28,208,200	1.9
Insurance & Financial Services.....	64,019,100	64,840,800	821,700	1.3
Judiciary	285,103,400	286,663,200	1,559,800	0.5
Legislative Auditor General	18,577,000	19,114,600	537,600	2.9
Legislature.....	154,874,800	156,881,800	2,007,000	1.3
Licensing & Regulatory Affairs	321,454,200	386,091,600	64,637,400	20.1
Military & Veterans Affairs	84,900,100	88,641,900	3,741,800	4.4
Natural Resources	332,219,600	347,310,100	15,090,500	4.5
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	12,857,370,400	12,911,225,300	53,854,900	0.4
State	232,848,400	233,152,700	304,300	0.1
State Police	583,025,400	603,601,000	20,575,600	3.5
Talent & Economic Development.....	411,156,100	350,178,100	(60,978,000)	(14.8)
Technology, Management, & Budget.....	691,254,500	601,223,200	(90,031,300)	(13.0)
Transportation	2,954,470,500	3,331,293,700	376,823,200	12.8
Treasury (Debt Service)	107,580,000	107,580,000	0	0.0
Treasury (Operations)	459,750,100	472,282,700	12,532,600	2.7
Treasury (Revenue Sharing).....	1,287,738,100	1,298,609,300	10,871,200	0.8
TOTAL APPROPRIATIONS.....	\$32,226,958,300	\$32,826,746,600	\$599,788,300	1.9%

Table 4

GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2017-18 Year-to-Date Appropriations	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$66,251,800	\$53,705,200	(\$12,546,600)	(18.9%)
Attorney General	40,248,600	40,106,800	(141,800)	(0.4)
Capital Outlay.....	800	0	(800)	(100.0)
Civil Rights	13,006,600	13,022,100	15,500	0.1
Community Colleges	1,025,000	0	(1,025,000)	(100.0)
Corrections	1,946,633,600	1,979,910,200	33,276,600	1.7
Education	81,677,400	85,183,700	3,506,300	4.3
Environmental Quality	63,081,500	46,946,500	(16,135,000)	(25.6)
Executive.....	6,848,500	6,980,100	131,600	1.9
Health & Human Services	4,380,531,400	4,542,525,600	161,994,200	3.7
Higher Education.....	1,279,254,500	1,160,217,900	(119,036,600)	(9.3)
Insurance & Financial Services.....	150,000	150,000	0	0.0
Judiciary	192,574,400	193,783,700	1,209,300	0.6
Legislative Auditor General	16,607,600	17,105,800	498,200	3.0
Legislature.....	150,597,100	152,487,500	1,890,400	1.3
Licensing & Regulatory Affairs	44,416,600	88,820,300	44,403,700	100.0
Military & Veterans Affairs	62,567,500	65,362,400	2,794,900	4.5
Natural Resources	57,971,100	47,344,300	(10,626,800)	(18.3)
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	215,000,000	45,000,000	(170,000,000)	(79.1)
State	24,139,000	18,466,300	(5,672,700)	(23.5)
State Police	439,601,700	454,902,800	15,301,100	3.5
Talent & Economic Development.....	205,099,400	166,745,800	(38,353,600)	(18.7)
Technology, Management, & Budget.....	579,855,200	486,765,800	(93,089,400)	(16.1)
Transportation	0	175,000,000	175,000,000	100.0
Treasury (Debt Service)	107,580,000	107,580,000	0	0.0
Treasury (Operations)	98,368,500	101,213,300	2,844,800	2.9
Treasury (Revenue Sharing).....	8,379,100	0	(8,379,100)	(100.0)
TOTAL APPROPRIATIONS.....	\$10,081,466,900	\$10,049,326,100	(\$32,140,800)	(0.3%)

Table 5

FULL-TIME EQUATED CLASSIFIED POSITIONS FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2017-18 Year-to-Date Appropriations	FY 2018-19 Governor's Recommendation	Position Change	Percent Change
Agriculture & Rural Development	493.5	500.5	7.0	1.4%
Attorney General	530.0	530.0	0.0	0.0
Civil Rights	110.0	110.0	0.0	0.0
Corrections	13,803.9	13,951.2	147.3	1.1
Education	603.5	614.5	11.0	1.8
Environmental Quality	1,246.0	1,257.0	11.0	0.9
Executive	79.2	79.2	0.0	0.0
Health & Human Services	15,620.5	15,612.7	(7.8)	(0.0)
Higher Education	0.0	0.0	0.0	0.0
Insurance & Financial Services	336.5	336.5	0.0	0.0
Judiciary	501.0	490.0	(11.0)	(2.2)
Licensing & Regulatory Affairs	2,322.3	2,322.3	0.0	0.0
Military & Veterans Affairs	904.5	904.5	0.0	0.0
Natural Resources	2,261.8	2,327.3	65.5	2.9
State	1,586.0	1,586.0	0.0	0.0
State Police	3,438.0	3,490.0	52.0	1.5
Talent & Economic Development	1,447.0	1,450.0	3.0	0.2
Technology, Management, & Budget	2,937.0	3,116.0	179.0	6.1
Transportation	2,820.3	2,820.3	0.0	0.0
Treasury (Operations)	1,852.5	1,860.5	8.0	0.4
TOTAL POSITIONS	52,893.5	53,358.5	465.0	0.9%

Note: Full-Time Equated classified positions include exempt positions in Judiciary.

Table 6

FY 2018-19 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS			
Budget Area/Program	Gross	State Restricted	GF/GP
Community Colleges			
MPSERS normal cost: lowered assumed rate of return (SAF)	\$6,431,000	\$6,431,000	\$0
Community Colleges Total	\$6,431,000	\$6,431,000	\$0
Corrections			
New custody staff training	\$9,227,700	\$0	\$9,227,700
Higher custody level programming	2,400,000	0	2,400,000
Corrections Total	\$11,627,700	\$0	\$11,627,700
Education			
Flint declaration of emergency reserve fund placeholder	\$100	\$100	\$0
Education Total	\$100	\$100	\$0
Environmental Quality			
Flint declaration of emergency reserve fund placeholder	\$100	\$100	\$0
Environmental Quality Total	\$100	\$100	\$0
Health and Human Services			
Flint declaration of emergency (includes \$100 reserve fund placeholder)	\$4,621,100	\$100	\$4,621,000
Multicultural integration funding	1,381,100	0	1,381,100
Child lead poisoning elimination board recommendations	1,250,000	0	1,250,000
Autism navigator	1,025,000	0	1,025,000
Employment first	500,000	0	500,000
University autism programs	250,000	0	250,000
Health and Human Services Total	\$9,027,200	\$100	\$9,027,100
Higher Education			
MPSERS normal cost: lowered assumed rate of return (SAF)	\$669,000	\$669,000	\$0
Higher Education Total	\$669,000	\$669,000	\$0
Legislature			
Information technology design project	\$750,000	\$0	\$750,000
Legislature Total	\$750,000	\$0	\$750,000
Natural Resources			
Snowmobile trail groomer pilot (snowmobile trail fund)	\$200,000	\$200,000	\$0
Tribal consent decree negotiation legal costs	37,500	0	37,500
Natural Resources Total	\$237,500	\$200,000	\$37,500

FY 2018-19 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS			
Budget Area/Program	Gross	State Restricted	GF/GP
School Aid			
MPERS normal cost: lowered assumed rate of return (SAF)	\$88,139,000	\$88,139,000	\$0
Flint declaration of emergency (includes \$100 reserve fund placeholder)	3,230,100	100	3,230,000
Partnership model districts increase (SAF)	2,000,000	2,000,000	0
School Aid Total	\$93,369,100	\$90,139,100	\$3,230,000
State Police			
New and attrition trooper schools	\$6,070,000	\$0	\$6,070,000
Sexual assault prevention and education initiative	600,000	0	600,000
State Police Total	\$6,670,000	\$0	\$6,670,000
Talent and Economic Development			
Going pro skilled trades training program	\$10,000,000	\$0	\$10,000,000
Entrepreneurship eco-system	2,500,000	0	2,500,000
Project rising tide	2,000,000	0	2,000,000
Flint declaration of emergency reserve fund placeholder	100	100	0
Talent and Economic Development Total	\$14,500,100	\$100	\$14,500,000
Technology, Management, and Budget			
Michigan civilian cyber corps (infrastructure fund)	\$420,000	\$420,000	\$0
Flint declaration of emergency reserve fund placeholder	100	100	0
Technology, Management, and Budget Total	\$420,100	\$420,100	\$0
Transportation			
Acceleration of road funding package with GF revenue	\$175,000,000	\$0	\$175,000,000
Transportation Total	\$175,000,000	\$0	\$175,000,000
Treasury-Operations			
Flint declaration of emergency reserve fund placeholder	\$100	\$100	\$0
Treasury-Operations Total	\$100	\$100	\$0
TOTAL ONE-TIME BUDGET AREA APPROPRIATIONS	\$318,702,000	\$97,859,700	\$220,842,300

Table 7

**STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2017-18 Year-to-Date Appropriations	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$7,450,000	\$6,350,000	(\$1,100,000)	(14.8%)
Attorney General	0	0	0	0.0
Capital Outlay.....	400	0	(400)	(100.0)
Civil Rights	0	0	0	0.0
Community Colleges	399,326,500	405,015,500	5,689,000	1.4
Corrections	113,888,800	115,868,600	1,979,800	1.7
Education	14,367,700	13,567,700	(800,000)	(5.6)
Environmental Quality	4,531,000	24,581,000	20,050,000	442.5
Executive.....	0	0	0	0.0
Health & Human Services	1,360,064,000	1,466,684,500	106,620,500	7.8
Higher Education.....	0	0	0	0.0
Insurance & Financial Services.....	0	0	0	0.0
Judiciary	147,230,400	147,443,700	213,300	0.1
Legislative Auditor General	0	0	0	0.0
Legislature.....	0	0	0	0.0
Licensing & Regulatory Affairs	30,625,700	87,951,800	57,326,100	187.2
Military & Veterans Affairs	142,400	142,400	0	0.0
Natural Resources	7,154,300	7,712,700	558,400	7.8
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	12,679,972,800	12,733,596,100	53,623,300	0.4
State	1,215,900	1,129,000	(86,900)	(7.1)
State Police	14,113,200	14,231,300	118,100	0.8
Talent & Economic Development.....	11,300,000	32,400,000	21,100,000	186.7
Technology, Management, & Budget.....	0	4,000,000	4,000,000	100.0
Transportation	1,717,843,100	1,960,123,900	242,280,800	14.1
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	186,083,500	161,949,700	(24,133,800)	(13.0)
Treasury (Revenue Sharing).....	1,287,738,100	1,298,609,300	10,871,200	0.8
TOTAL APPROPRIATIONS.....	\$17,983,047,800	\$18,481,357,200	\$498,309,400	2.8%

Table 8

FEBRUARY 2018 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE (millions of dollars)			
	FY 2017-18	FY 2018-19	FY 2019-20
Revenue:			
Beginning Balance	\$622.5	\$191.8	\$7.3
Ongoing Revenue:			
Consensus Revenue Estimate (January 2018)	\$10,307.7	\$10,339.6	\$10,413.5
Revenue Sharing Payments	(465.9)	(466.2)	(466.2)
Accelerate Sales Tax on Difference	0.0	(0.3)	(0.7)
Redirect TEDF to GF	0.0	13.0	13.0
Driver Responsibility Fees (Administration's Proposal)	(4.5)	(15.5)	(9.0)
Subtotal Ongoing Revenue	\$9,837.3	\$9,870.6	\$9,950.6
Non-ongoing Revenue:			
One-Time Appropriation for Revenue Sharing	(\$5.8)	\$0.0	\$0.0
Lawsuit Settlement Proceeds	(6.4)	(5.8)	0.0
Venture Michigan Fund Tax Vouchers	0.0	0.0	(19.2)
Subtotal Non-Ongoing Revenue	(\$12.2)	(\$5.8)	(\$19.2)
Total Estimated GF/GP Revenue	\$10,447.6	\$10,056.6	\$9,938.7
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing Appropriations	\$9,784.4	\$9,831.7	\$9,958.4
Estimated Average Baseline Adjustments	0.0	0.0	200.0
Subtotal Ongoing Appropriations	\$9,784.4	\$9,831.7	\$10,158.4
One-Time and Other Appropriations:			
Initial One-Time Appropriations	\$257.3	\$217.6	\$0.0
Appropriation to Budget Stabilization Fund	150.0	0.0	0.0
Enacted Supplementals	39.7	0.0	0.0
Pending Supplementals (Requests 2018-3, 2018-5)	25.4	0.0	0.0
Other Adjustments	(1.1)	0.0	0.0
Subtotal One-Time and Other Appropriations	\$471.3	\$217.6	\$0.0
Total Estimated GF/GP Expenditures	\$10,255.8	\$10,049.3	\$10,158.4
PROJECTED YEAR-END GF/GP BALANCE	\$191.8	\$7.3	(\$219.7)

Table 9

FEBRUARY 2018 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND REVENUE, EXPENDITURES, AND YEAR-END BALANCE (millions of dollars)			
	FY 2017-18	FY 2018-19	FY 2019-20
Revenue:			
Beginning Balance	\$377.4	\$97.0	\$6.0
Ongoing Revenue:			
Consensus Revenue Estimate (January 2018)	\$13,084.5	\$13,464.0	\$13,822.7
General Fund/General Purpose Grant	78.0	45.0	45.0
Community District Trust Fund	72.0	72.0	72.0
Accelerate Sales Tax on Difference	(0.2)	(2.0)	(4.2)
Federal Ongoing Aid	1,726.9	1,724.7	1,719.7
Subtotal Ongoing Revenue	\$14,961.2	\$15,303.7	\$15,655.2
Non-ongoing Revenue:			
SAF Deposit into MPSERS Reserve	(\$55.0)	\$0.0	\$0.0
MPSERS Reserve Fund	23.1	31.9	0.0
Venture Michigan Fund Tax Vouchers	0.0	0.0	(6.0)
Subtotal Non-Ongoing Revenue	(\$31.9)	\$31.9	(\$6.0)
Total Estimated School Aid Fund Revenue	\$15,306.7	\$15,432.6	\$15,655.2
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 Appropriations	\$14,266.5	\$14,542.6	\$14,542.5
Pending Supplementals (Request 2018-5)	(11.2)	0.0	0.0
Fund Community Colleges with School Aid Fund	394.7	398.6	401.3
Partially Fund Higher Education with School Aid Fund	237.9	384.9	385.9
Subtotal Ongoing Appropriations	\$14,887.9	\$15,326.1	\$15,329.7
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations	\$89.3	\$93.4	\$88.1
Initial One-Time Community College Appropriations	3.6	6.4	6.4
Initial One-Time Higher Education Appropriations	0.4	0.7	0.7
Enacted Supplementals	5.5	0.0	0.0
MPSERS K-12 Reform Costs	223.1	0.0	0.0
Subtotal One-Time and Other Appropriations	\$321.9	\$100.5	\$95.2
Total Estimated School Aid Fund Expenditures	\$15,209.8	\$15,426.6	\$15,424.9
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$97.0	\$6.0	\$230.3

FY 2018-19 Gross and
GF/GP
Budget Changes

Table 10

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION SUMMARY OF CHANGES FROM FY 2017-18 YEAR-TO-DATE GROSS AND GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS		
	Gross	GF/GP
FY 2017-18 Year-To-Date Appropriation¹	\$56,641,947,100	\$10,081,466,900
Changes for FY 2018-19:		
New Programs.....	\$10,714,300	\$500,000
Program Increases	1,837,802,600	457,534,900
Program Eliminations/Reductions.....	(1,784,040,600)	(401,946,500)
Major Fund Shifts Affecting GF/GP.....	0	(144,545,900)
Program Transfers	55,400	9,100
Economic Adjustments	108,828,300	56,221,300
Unclassified Salaries	275,800	86,300
Total Changes.....	\$173,635,800	(\$32,140,800)
FY 2018-19 Governor's Recommendation	\$56,815,582,900	\$10,049,326,100

¹ Appropriation as of February 7, 2018.

Table 11

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW PROGRAMS		
<u>Budget Area/Program</u>	Gross	GF/GP
School Aid		
Special education task force - early on funding	\$5,000,000	\$0
Career technical education incentive payments	5,000,000	0
Special education task force - mediation/parental supports	500,000	500,000
Treasury-Operations		
MI thrive program income tax calculations (brownfield dev. fund)	214,300	0
TOTAL NEW PROGRAMS.....	\$10,714,300	\$500,000

Table 12

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES		
<u>Budget Area/Program</u>	Gross	GF/GP
Agriculture and Rural Development		
Milk safety and quality assurance	\$780,000	\$780,000
Office of organization innovation	307,100	307,100
Genome sequencer in lab division	300,000	0
Attorney General		
Medical marihuana regulation (marihuana fund).....	126,700	0
Retain \$2.6 million for Flint water investigation (lawsuit settlement fund)	0	0
Community Colleges		
MPSERS rate cap adjustment.....	4,495,000	0
MPSERS normal cost offset (one-time)	2,819,000	0
Corrections		
Replace contracted food service with state employees	13,667,100	13,667,100
New custody staff training (one-time).....	9,227,700	9,227,700
Higher custody level IT/infrastructure (\$1.6M ongoing, \$2.4M one-time)	4,000,000	4,000,000
Health care recruitment and retention	3,762,400	3,762,400
Corizon health care contract inflationary adjustment	2,458,900	2,458,900
Offenders with special needs contract adjustments	1,648,700	1,648,700

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

<u>Budget Area/Program</u>	Gross	GF/GP
Offender success community partners contract adjustments	1,291,400	1,291,400
Probation residential services base and caseload	850,000	850,000
Sewer treatment rate increase at Harrison Facility	184,300	184,300
Education		
Technical adjustments to IDGs	380,700	0
Braille textbook production expansion	300,000	0
Environmental Quality		
Renew Michigan initiative (replaces clean Michigan initiative; tipping fees)	73,885,400	0
Oil, gas, and mineral services (shift from one-time to ongoing)	4,000,000	4,000,000
Aquifer dispute resolution	524,000	0
Volkswagen diesel emissions mitigation trust funding	506,600	0
Rent adjustment	17,600	4,300
Executive Office		
Operations	105,400	105,400
Health and Human Services		
Increased hospital rate adjustor (HRA) retainer	190,000,000	(21,249,200)
Autism services base/caseload	94,744,100	33,681,400
Medicaid physical health actuarial soundness (1.5%)	85,483,500	20,902,700
Medicaid behavioral health actuarial soundness (2.0%)	51,019,000	16,483,500
Foster care base/caseload	36,548,800	21,025,500
Integrated service delivery (Federal funds)	13,783,400	0
Behavioral health base/caseload	12,678,300	4,507,000
Second Healthy Michigan Plan waiver costs (cases moved to exchanges)	12,000,000	810,000
Child care fund base/caseload	10,036,100	10,036,100
Rural hospital OB/GYN pool - restore lost Federal with GF/GP	7,000,000	7,000,000
Substance use disorder capitation payment adjustment	6,508,100	2,313,600
Emerging public health threat funding	4,750,000	4,750,000
Drinking water declaration of emergency (one-time)	4,621,100	4,621,000
Dental services actuarial soundness (1.5%)	3,577,500	1,271,800
Managed care rules staff (15.0 FTEs)	1,660,200	830,100
Replace Federal CHIP money for primary care and free clinics	1,504,500	1,504,500
Foster care education stability travel costs	1,406,500	987,700
State facility psychiatrist salary adjustments	1,394,800	1,258,600
Multicultural integration increase (one-time)	1,381,100	1,381,100
Housing/urban development Federal authorization	1,176,000	0
Guardianship base/caseload	1,170,100	1,053,800
Inflationary adjustment (\$2.00 per person per month) for FIP	1,017,600	0
Rent costs for non-state owned buildings	859,300	455,100
Children's trust fund carryforward funded projects	800,000	0
State psych hospital pharmacy inflation (5.0%)	502,700	418,200
Autism navigator increase to \$1,025,000 (one-time)	460,000	460,000
Psychiatric hospital revenue adjustment	423,800	0
Adoption incentive payments grant	361,800	0
Children's special healthcare/local public health staff salary adjustment	300,000	0
Federal tax refund offset	255,600	86,900
Restricted fund adjustments for substance abuse	231,200	0
Increased newborn screening fee revenue	168,600	0
Increase in rehabilitation service fee revenue	110,000	0
Federal Perkins grant for Bay Pines	77,600	0
Sexual assault kit annualization of costs	2,600	2,600
Poison control adjustment tied to match rate	400	0

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

<u>Budget Area/Program</u>	Gross	GF/GP
Higher Education		
University operations increase (2.0% SAF)	28,566,800	0
Competitive scholarships (FY 19=\$32.4 million)	6,000,000	6,000,000
Tuition incentive program (Federal)	1,500,000	0
MSU agbio research increase (2.0%)	678,300	678,300
MSU extension increase (2.0%)	585,100	585,100
MPSERS hold harmless (one-time)	250,000	0
Judiciary		
Two new circuit judge positions	255,300	242,200
Private rent increase	23,600	23,600
Legislative Auditor General		
3.0% increase	651,800	498,200
Legislature		
3.0% increase	4,257,000	4,140,400
Legislative IT systems design (one-time)	750,000	750,000
Licensing and Regulatory Affairs		
Michigan indigent defense commission grants (\$15.3 million cost recovery) ...	61,300,000	46,000,000
Annualize first responder coverage fund (marihuana fund)	3,465,000	0
Law enforcement grants (liquor license fees)	1,200,000	0
Nurse aide training program (license fees)	600,000	0
Licensing for substance use disorder program (marihuana fund)	500,000	0
Military and Veterans Affairs		
Special maintenance	5,000,000	0
National Guard tuition assistance	2,500,000	2,500,000
Jacobetti facility Medicaid certification efforts	1,111,700	1,111,700
Land purchases and appraisal	900,000	0
Camp Grayling northern strike exercise	750,000	750,000
Additional staffing for veterans homes authority	500,000	500,000
Natural Resources		
State parks repair and maintenance	14,000,000	0
Use of increased recreational program revenue	4,075,000	0
Forest development infrastructure	3,500,000	0
Wildlife and public health funding	2,600,000	2,600,000
Waterways projects	2,163,500	0
Additional conservation officers	1,500,000	1,500,000
ORV trail improvement fund	1,300,000	0
State parks technical adjustments	754,700	0
Tribal consent decree negotiation (\$240,000 ongoing, \$37,500 one-time)	277,500	277,500
Snowmobile trail groomer development	200,000	0
Mackinac Island historic facilities	200,000	200,000
Great lakes protection fund	128,900	0
Hunter education program	84,400	0
Historical marker program	60,000	0
School Aid		
Foundation allowance increase	312,000,000	0
MPSERS rate cap	71,916,000	46,000
MPSERS normal cost reimbursement for AROR (one-time)	39,170,000	19,000
Special education	23,100,000	0
Cash flow borrowing costs	17,500,000	0
MPSERS additional normal costs for defined contribution	14,500,000	0
Partnership model districts	2,000,000	0
Promise zone reimbursements	1,500,000	0

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES		
Budget Area/Program	Gross	GF/GP
School lunch	648,900	0
MiSTEM executive director	150,000	150,000
MiSTEM advisory council	50,000	50,000
State		
Driver license contracting costs	925,000	0
Information technology costs	800,000	0
Commercial driver license testing kiosks	500,000	0
State Police		
Annualize FY 2017-18 trooper school costs	20,267,100	20,267,100
New trooper school (ongoing costs)	3,800,000	3,800,000
Marihuana field sobriety tests (marihuana fund)	3,400,000	0
Annualize FY 2017-18 medical marihuana regulation costs	2,924,200	0
Equipment lifecycle replacement	1,252,500	1,252,500
Pay increases for lieutenants and lab managers	935,600	822,300
Computer crimes unit	618,400	618,400
Public safety officer benefit program	150,000	150,000
Talent and Economic Development		
Workforce development program	501,000	0
Drinking water declaration of emergency placeholder (one-time)	100	0
Technology, Management, and Budget		
Technical adjustments for information technology IDGs	31,023,400	0
State building authority rent increase	19,186,400	19,186,400
Enterprisewide portfolio management services	2,010,000	2,010,000
DTMB building occupancy charge - special maintenance	1,800,000	0
Regional prosperity grants	1,500,000	1,500,000
Agency services rate adjustment	1,500,000	1,500,000
Procurement improvement plan completion	891,900	0
Financial services support	559,400	12,900
Michigan civilian cyber corps (infrastructure fund; one-time)	420,000	0
Transportation		
Michigan transportation fund increases	178,969,000	0
GF increase for roads (one-time)	175,000,000	175,000,000
Bridge and culvert maintenance	18,000,000	0
Transit and rail increases	14,985,300	0
Highway maintenance adjustments	4,337,600	0
Information technology systems updates	2,000,000	0
Services initiatives	1,200,000	0
Interdepartmental grant technical adjustments	893,900	0
Blue water bridge transportation to work funding	175,000	0
Movable bridge fund inflationary increase	112,400	0
Treasury-Operations		
Medical marihuana grants and administration (marihuana fund)	7,157,100	0
Information technology rate increase	5,450,000	5,450,000
State lottery staff and administration increase	637,200	0
OPEB oversight	464,000	464,000
Accounting services	30,000	0
Treasury-Revenue Sharing		
Increase constitutional revenue sharing by 3.1%	24,732,900	0
Re-entry of Antrim, Keweenaw, Mackinac to county revenue sharing	259,000	0
Increase county incentive program by 0.1%	58,400	0
TOTAL FUNDING INCREASES	\$1,837,802,600	\$457,534,900

Table 13

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Agriculture and Rural Development		
MSU agriculture industry research (one-time)	(\$8,400,000)	(\$8,400,000)
Food bank council food freezing (one-time).....	(2,000,000)	(2,000,000)
Food and agriculture investment grants (FY19=\$3.3 million)	(1,443,900)	(1,443,900)
Enhanced wildlife mitigation (one-time)	(1,000,000)	(1,000,000)
Intercounty drain mapping (one-time)	(250,000)	(250,000)
Food safety/quality assurance, complete Federal grant (FY19=\$16.6 million)	(250,000)	(250,000)
County fair funding (FY19=\$400,000)	(249,300)	(249,300)
Remove draft beer delivery systems supplemental	(150,000)	(150,000)
Qualified forest GF reduction	(130,000)	(130,000)
Albion campground development (one-time)	(100,000)	(100,000)
Environmental stewardship funding	(100,000)	(100,000)
Farmland and open space preservation reduction	(99,900)	(99,900)
Revenue adjustments.....	(86,300)	0
Drinking water emergency (one-time)	(100)	0
Attorney General		
Prosecutors' life without parole funding (one-time)	(700,000)	(700,000)
Prosecutors' NextGen info tech system funding (one-time).....	(600,000)	0
Capital Outlay		
Remove FY 2017-18 funding from supplementals.....	(800)	(800)
Civil Rights		
Remove deaf/hard of hearing needs assessment (one-time;FY19=\$715,600)	(150,000)	(150,000)
Community Colleges		
Michigan transfer network enhancements (one-time).....	(1,025,000)	(1,025,000)
Reduce renaissance zone reimbursements.....	(600,000)	0
Corrections		
Close West Shoreline correctional facility	(18,924,700)	(18,832,700)
Remove FY 2017-18 officer academy (one-time)	(4,359,000)	(4,359,000)
Eliminate Goodwill flip the script program	(1,500,000)	(1,500,000)
Eliminate certain sanction substance abuse parole program	(1,440,000)	(1,440,000)
Eliminate supervising region incentive program	(1,000,000)	(1,000,000)
Eliminate future facility and staff transition costs	(1,000,000)	(1,000,000)
Eliminate high school online equivalency pilot.....	(1,000,000)	(1,000,000)
State restricted fund source adjustments.....	(278,000)	0
Eliminate Federally qualified health center pilot.....	(75,000)	(75,000)
Education		
Remove school water training program	(1,000,000)	(1,000,000)
Reduce renaissance zone reimbursements.....	(800,000)	(800,000)
Adjust state restricted revenue to actual	(300,200)	0
Remove local revenue source.....	(11,700)	0
Environmental Quality		
Stormwater asset management and wastewater grants	(62,000,000)	0
Remove petroleum product cleanup program (one-time)	(14,900,000)	0
Remove supplemental PFAS funding (include in renew Michigan proposal)	(14,837,500)	(14,837,500)
Remove supplemental clean environment init. (include in renew Mich. prop.)	(14,000,000)	0
Remove supplemental water infrastructure initiative (include in FY20)	(10,700,000)	0
Oil, gas, mineral services funding (move from one-time to ongoing).....	(4,000,000)	(4,000,000)
Remove water line replacement contingency fund transfer	(2,200,000)	0
Wetland mitigation banking	(2,000,000)	0
Clean Michigan initiative contaminated sediments	(1,565,000)	0

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Remove supplemental vapor intrusion funding (FY19=\$1.3 million)	(1,000,000)	(1,000,000)
Health and Human Services		
Food assistance base/caseload	(415,110,400)	0
Medicaid and HMP physical health base/caseload	(155,392,700)	(707,900)
Medicaid special financing adjustments	(70,870,100)	727,600
Other technical adjustments (electronic health records grant expiration)	(40,720,400)	0
Remove Federal match for rural/sole and OB/GYN hospital pools	(26,587,800)	0
Remove FY 2017-18 drinking water emergency funding (one-time)	(21,541,700)	(1,680,000)
Children's special health care services base/caseload	(18,638,100)	(7,533,000)
Expiration of Federal opioid grant	(16,372,700)	0
Medicaid pharmacy savings	(14,064,700)	(5,000,000)
Eliminate county hold harmless for foster care	(8,000,000)	(8,000,000)
Adjust out excess restricted revenue	(7,129,900)	0
Mental health/wellness commission funding (FY19=\$12.3 million)	(7,000,000)	(4,758,500)
Remove direct primary care pilot funding (one-time)	(5,724,000)	(2,016,000)
Adoption subsidies base/caseload	(5,697,800)	(1,962,300)
Remove Medicaid level of care determination funding	(5,000,000)	(2,500,000)
Eliminate hospice room and board grant	(3,318,000)	(3,318,000)
Sexual assault kit, back out \$4 million supplemental/spend \$800,000	(3,200,000)	(4,000,000)
Reduce heat and eat authorization to actual spending	(2,500,000)	(2,500,000)
Family independence program base/caseload	(2,200,900)	(6,102,900)
Remove FY 2017-18 Federal housing support funding	(2,000,000)	0
Family support subsidy base/caseload	(1,715,300)	0
Eliminate outstate dental clinic funding increase	(1,550,000)	(1,550,000)
HMP behavioral health base/caseload	(1,434,500)	(96,900)
Remove FY 2017-18 guardianship increase (lower \$95/month to \$83/month)	(1,419,600)	(500,000)
Remove dental clinic funding (one-time)	(1,000,000)	(1,000,000)
Remove FY 2017-18 foster care relative licensing funding	(1,000,000)	(1,000,000)
Eliminate early primary care pilot funding	(1,000,000)	(1,000,000)
Remove Oaklawn hospital funding (one-time)	(850,000)	(850,000)
Eliminate MedIncentive program	(830,000)	(415,000)
Remove statewide double up food bucks (one-time)	(750,000)	(750,000)
Eliminate Kalamazoo opioid pilot	(700,000)	(700,000)
State disability assistance base/caseload	(620,200)	(620,200)
Remove real alternatives funding increase (FY19=\$100,000)	(550,000)	(550,000)
Remove farmers' market wireless funding (one-time)	(500,000)	(250,000)
Eliminate dental registry funding	(500,000)	(500,000)
Remove over authorization in SSI administration	(476,200)	(476,200)
Annualization of PFAS services (FY19=\$7.7 million)	(368,700)	(368,700)
Eliminate kids kicking cancer funding	(305,000)	(305,000)
Eliminate team cares clinic funding (one-time)	(300,000)	(300,000)
Remove Muskegon covenant academy grant	(280,000)	(280,000)
Reduce university autism to \$250,000 (one-time)	(250,000)	(250,000)
Eliminate bone marrow transplant funding	(250,000)	(250,000)
Eliminate SSI legal services funding	(250,000)	(250,000)
Eliminate parent-to-parent adoption program	(250,000)	(250,000)
Remove FY 2017-18 kidney foundation increase (FY19=\$178,000)	(200,000)	(200,000)
Remove food bank Michigan ag surplus system funding (one-time)	(184,000)	(184,000)
Remove prenatal diagnosis funding (one-time)	(150,000)	(150,000)
Remove Chaldean Ladies of Charity funding (one-time)	(150,000)	(150,000)
Supplemental security income base/caseload	(135,900)	(135,900)
Remove special olympics funding (one-time)	(100,000)	(100,000)

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Remove Oakland food pantry funding (one-time)	(100,000)	(100,000)
Eliminate Michigan corner store initiative	(100)	(100)
Higher Education		
Tuition grants (FY19=\$32 million)	(6,000,000)	(6,000,000)
MPERS rate cap adjustment	(1,572,000)	0
Eliminate separate appropriation for Indian tuition waiver	(300,000)	(300,000)
Judiciary		
Montgomery v Louisiana compliance (one-time)	(700,000)	(700,000)
Pretrial risk assessment (one-time)	(300,000)	(300,000)
Remove expansion of problem-solving courts (one-time; FY19=\$18.2 million)	(219,300)	(219,300)
Current services budget revenue adjustments	(190,900)	0
Reduce swift and sure sanctions (FY19=\$4 million)	(154,000)	(154,000)
Legislature		
Reduce IT system project funding (one-time; FY19=\$750,000)	(3,000,000)	(3,000,000)
Licensing and Regulatory Affairs		
Eliminate medical marijuana grants to county law enforcement	(3,000,000)	0
Fire protection grants (FY19=\$8.5 million from PPT revenue proposal)	(2,173,900)	(2,173,900)
Reduce overstated restricted funds	(639,300)	0
Remove admin funding for local community stabilization authority	(150,000)	0
Remove drinking water emergency placeholder (one-time)	(100)	0
Military and Veterans Affairs		
Remove armory special maintenance (one-time)	(2,500,000)	(2,500,000)
Baseline technical adjustments	(145,000)	0
Natural Resources		
State parks repair/maintenance (one-time to ongoing; FY19=\$23.5 million)	(7,000,000)	(7,000,000)
Remove trail development funding (one-time)	(5,000,000)	(5,000,000)
Remove land ownership tracking system (one-time)	(2,900,000)	(1,900,000)
Remove FY 2017-18 waterways projects	(1,520,500)	0
Wildlife management funding (one-time; FY19=\$44.9 million)	(1,000,000)	(1,000,000)
Remove wetlands restoration from hunter stamp revenue	(500,000)	0
Remove Bay State park playscape	(400,000)	(400,000)
Remove Onaway pavilion construction	(400,000)	(400,000)
Remove swimmer's itch pilot (one-time)	(250,000)	(250,000)
Remove shooting range repair, etc. (one-time)	(250,000)	(250,000)
Reduce snowmobile local grants (FY19=\$8.1 million)	(226,200)	(226,200)
Reduce invasive species funding (one-time; FY19=\$5 million)	(200,000)	(200,000)
Remove mineral extraction summit funding (one-time)	(50,000)	(50,000)
Remove obsolete fund sources	(15,100)	0
School Aid		
Remove MPERS UAAL payment (one-time)	(200,000,000)	0
Technical foundation cost adjustments	(97,700,000)	0
Shared time	(67,900,000)	0
25% reduction to cyber school foundation	(25,000,000)	0
Remove CTE equipment upgrades (\$2.9M ongoing, \$9.6M one-time)	(12,500,000)	(12,500,000)
Drinking water declaration of emergency	(5,500,000)	(5,500,000)
Computer adaptive tests	(4,000,000)	0
Assessment funding	(3,700,000)	0
Nonpublic schools mandates reimbursement	(2,500,000)	(2,500,000)
Value-added growth and projection analytics	(2,500,000)	(2,500,000)
Michigan education corps	(2,500,000)	(2,500,000)
Information technology certifications	(2,300,000)	(2,300,000)
Federal grants	(2,200,000)	0

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Renaissance zone costs	(2,000,000)	0
Year-round schools grants	(1,500,000)	0
Financial data analysis tools	(1,500,000)	0
CTE counselors (ISD/district grants)	(1,160,000)	0
Online algebra tool	(1,100,000)	(1,100,000)
Online mathematics tool	(1,000,000)	(1,000,000)
Career preparation and readiness platform	(1,000,000)	(1,000,000)
Cybersecurity competition	(500,000)	0
Competency based education	(500,000)	(500,000)
10 cents a meal program	(375,000)	(375,000)
Detroit precollege engineering	(340,000)	(340,000)
FIRST robotics for non-publics	(300,000)	(300,000)
Digital assessment preparation	(250,000)	(250,000)
Overall adjustments to MiSTEM network regions	(200,000)	(1,400,000)
Early learning collaborative	(175,000)	0
Conductive learning center study	(150,000)	0
Van Andel education institute	(150,000)	(150,000)
Restaurant and culinary training	(79,000)	(79,000)
State		
Remove FY 2017-18 supplemental funding for voter equipment	(5,000,000)	(5,000,000)
State Police		
Adjust non-GF funds	(6,254,700)	0
Reduce disaster/emergency contingency fund (one-time; FY19 fund=\$4.6M)	(5,000,000)	(5,000,000)
Remove FY 2017-18 boilerplate approp for Federal/restricted funds	(4,024,000)	0
New trooper school (reduced one-time costs)	(3,216,200)	(3,216,200)
Eliminate enhanced 9-1-1 (one-time)	(2,200,000)	(2,200,000)
Remove equipment lifecycle replacement (one-time)	(1,000,000)	(1,000,000)
Remove fair and impartial police training grants (one-time)	(980,000)	(980,000)
Reduce forensic science (one-time; FY19=\$44.4 million)	(730,000)	(730,000)
Remove Mich. international speedway traffic control grant (one-time)	(725,000)	(725,000)
Remove emergency management unused funding	(392,400)	(392,400)
Reduce forensic science overtime costs	(274,400)	(274,400)
Eliminate impaired driving commission funding	(250,000)	(250,000)
Remove law enforcement job task analysis (one-time)	(200,000)	(200,000)
Reduce civil air patrol funding	(20,000)	(20,000)
Talent and Economic Development		
Remove Michigan enhancement grants (one-time)	(35,897,000)	(35,897,000)
Going pro funding (one-time; FY19=\$40.9 million)	(5,500,000)	(5,500,000)
Business attraction (FY19=\$110.4 million)	(5,120,100)	(5,120,100)
Remove talent marketing (one-time)	(5,000,000)	(5,000,000)
Community ventures (FY19=\$5 million)	(3,300,000)	(306,700)
Remove special grants (one-time)	(2,700,000)	(2,700,000)
Technical adjustments (non-GF)	(1,653,900)	0
Entrepreneurship eco-system (FY19=\$18.4 million)	(1,500,000)	0
Arts and cultural grants (one-time; FY19=\$10.12 million)	(1,000,000)	(1,000,000)
Remove protect and grow funding (one-time)	(1,000,000)	(1,000,000)
Land bank fast track authority (FY19=\$4.1 million)	(1,000,000)	(1,000,000)
Technology, Management, and Budget		
Remove Michigan infrastructure fund (one-time)	(35,000,000)	(35,000,000)
Reduce IT investment fund (FY19=\$40 million)	(32,500,000)	(32,500,000)
Reduce drinking water emergency to \$100 reserve placeholder (one-time)	(24,999,900)	(25,000,000)

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Remove Michigan.gov content management (one-time)	(6,171,300)	(6,171,300)
Remove public safety communication equipment (one-time)	(5,000,000)	(5,000,000)
Reduce homeland/cyber security (FY19=\$15,231,300)	(4,700,000)	(4,700,000)
Remove SIGMA transition support (one-time)	(2,413,200)	(2,413,200)
Remove FY 2016-17 MAIN closeout (one-time)	(2,087,600)	(2,087,600)
Remove citizen centric info tech initiative (one-time)	(2,000,000)	(2,000,000)
Remove school reform office info system (one-time)	(353,000)	(353,000)
Remove vendor tracking pilot (one-time)	(300,000)	(300,000)
Remove supplemental funding for MDOT MiTRIP	(100,000)	(100,000)
Reduce state police retirement system payment	(87,000)	(87,000)
Adjust professional development funds	(50,000)	0
Transportation		
Federal funding reductions	(21,045,600)	0
Permanent reduction of TEDF category A	(13,000,000)	0
Debt service adjustments	(9,502,300)	0
Remove FY 2017-18 culvert mapping supplemental	(2,000,000)	0
Aviation program adjustments	(404,800)	0
Treasury-Operations		
Remove info tech services and projects (one-time)	(2,000,000)	(2,000,000)
Remove FY 2017-18 Michigan infrastructure council supplemental	(1,500,000)	0
Reduce city income tax admin (one-time; FY19=\$9.9 million)	(1,500,000)	0
Remove urban search and rescue (one-time)	(900,000)	(900,000)
Savings from administrative efficiencies	(750,000)	(750,000)
Remove financial data analytic tool reimbursement	(500,000)	(500,000)
Adjust restricted funds	(158,700)	0
Remove beat the streets funding	(100,000)	(100,000)
Treasury Revenue Sharing		
Reduce per capita cities, villages, townships funding (one-time)	(6,200,000)	(6,200,000)
Reduce statutory cities, villages, townships funding (one-time)	(5,800,000)	0
Reduce county revenue sharing	(2,179,100)	(2,179,100)
TOTAL FUNDING ELIMINATIONS/REDUCTIONS	(\$1,784,040,600)	(\$401,946,500)

Table 14

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
Budget Area/Program	GF/GP
Agriculture	
Replace GF with fertilizer control fund revenue.....	(\$200,000)
Health and Human Services	
Expiration of one-time HICA balance.....	60,048,800
Title XIX match rate dropping from 64.78% to 64.45%	37,984,100
Healthy Michigan Plan match rate dropping from 94.25% to 93.25%	32,971,200
Replace Healthy Michigan Fund revenue with GF	14,252,500
Money-follows-person match reduction	2,459,600
Title XXI match rate dropping from 98.35% to 98.12%	588,000
Replace GF with Medicaid Benefits Trust Fund revenue	(38,250,000)
Savings from shift of cases to Healthy Michigan Plan	(13,995,000)
Replace GF with Merit award trust fund	(2,000,000)
Higher Education	
Replace GF with School Aid Fund revenue	(120,000,000)
Judiciary	
Replace GF with Court fee fund revenue	(500,000)
School Aid	
Replace GF with School Aid Fund revenue	(135,611,700)
State	
Replace GF with Transportation administration collection fund revenue	(1,148,300)
Talent and Economic Development	
Replace penalty and interest revenue with GF in going pro program	25,000,000
Replace entrepreneurship 21st century revenue with GF	500,000
Replace GF with penalty and interest revenue in colleges skilled trades	(4,600,000)
Replace GF with 21st century revenue in business attraction program	(2,000,000)
Technology, Management, and Budget	
Correct statewide cost allocation	(45,100)
TOTAL GF/GP FUND SHIFTS	(\$144,545,900)

Table 15

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION PROGRAM TRANSFERS		
Budget Area/Program	Gross	GF/GP
<u>Office of the Great Lakes (23.0 FTEs)</u>		
From: Department of Environmental Quality	(\$11,743,600)	(\$917,700)
To: Department of Natural Resources.....	11,801,800	929,600
<u>School Reform Office (11.0 FTEs)</u>		
From: Department of Technology, Management, and Budget	(3,353,800)	(3,353,800)
To: Department of Education	3,351,000	3,351,000
<u>Early Literacy Administration</u>		
From: School Aid	(1,000,000)	(1,000,000)
To: Department of Education	1,000,000	1,000,000
<u>Project UNIFY (Special Olympics)</u>		
From: Department of Health and Human Services	(500,000)	(500,000)
To: Department of Education	500,000	500,000
<u>Division of Deafness Fund (Interpreter Certification)</u>		
From: Department of Civil Rights	(93,400)	0
To: Department of Licensing and Regulatory Affairs	93,400	0
TOTAL PROGRAM TRANSFERS.....	\$55,400	\$9,100

FY 2018-19
School Aid
Budget Changes

School Aid

Overall, the Governor is recommending a Gross appropriation increase of \$51.7 million compared with current law, or a \$62.8 million increase compared with revised projected FY 2017-18 spending. The recommendation would decrease GF/GP support of the budget by \$170.0 million, from \$215.0 million in current law to \$45.0 million in FY 2018-19 (and also would include a GF/GP reduction in the current fiscal year, discussed under Proposed Supplemental, below).

Proposed Supplemental

The Governor's FY 2017-18 supplemental request (2018-5) would reduce GF/GP support of the School Aid budget from \$215.0 million to \$78.0 million, a reduction of \$137.0 million. This reduced GF/GP support would be replaced with School Aid Fund (SAF) revenue.

In addition, the supplemental would decrease Gross appropriations by \$11.2 million, consisting of negative net cost adjustments throughout the budget to align appropriations with anticipated spending levels. The negative \$11.2 million is based on consensus pupils and cost adjustments, developed in January 2018. The specifics of the supplemental are decreased costs of \$24.3 million for foundation allowance payments and \$2.0 million for renaissance zone reimbursements, and increased costs of \$11.5 million for cash flow borrowing, \$3.2 million for special education, \$306,900 for school lunch, and \$100,000 for promise zone reimbursement.

Foundation Allowance

The Governor is recommending an increase ranging from \$120 per pupil for districts with foundation allowances at or above the basic foundation (which is \$8,289 for FY 2017-18), up to \$240 per pupil for districts at the minimum foundation allowance (which is \$7,631 for FY 2017-18). The proposal uses the "2x" formula, which provides double the dollar increase to districts at the minimum compared with the dollar increase for districts at or above the basic, with districts between the minimum and the basic getting something between "1x" and "2x". Under the proposal, the basic would increase to \$8,409 and the minimum to \$7,871. The total cost of the proposal is \$312.0 million.

In addition, the Governor is proposing a 25% reduction in the foundation allowance of cyber schools (i.e., those public school academies that were issued a contract under the Revised School Code to operate as a school of excellence that is a cyber school); this proposal would save the State an estimated \$25.0 million.

At Risk

The Governor is proposing to maintain funding for the At Risk program at \$499.0 million.

Michigan Public School Employees' Retirement System (MPERS)

The Governor is proposing to continue the lowering of the assumed rate of return (AROR) in the closed MPERS plans from 7.75% to 7.5%. (The new hybrid plan, established in 2017, assumes a 6.0% rate of return.) In MPERS, the first quarter-point reduction was funded in FY 2017-18, and FY 2018-19 represents the second quarter-point reduction in the AROR. (Also, the retirement system board adopted a policy where gains exceeding the AROR would be used in future years to further "buy down" the AROR. For FY 2019-20, the MPERS AROR is projected to decline to 7.05%.)

The increase in the K-12 budget cost for FY 2018-19 related to MPERS totals \$125.6 million. The cost is broken into three parts: \$71.9 million for the increase in cost on the "old" debt, paid for by the State via the MPERS rate cap, \$39.2 million for the increase in the "normal" cost for service earned in the future, and \$14.5 million for additional defined contribution (DC) costs related to Public Act 92 of 2017 (which increased the employer matching contributions under the optional DC plan). The normal cost is generally paid by the employer, but the Governor's proposal uses one-time funding to cover the increase in the normal cost for FY 2018-19. (There will be an additional increase in "normal"

costs in FY 2019-20 when the AROR declines to 7.05%, but the Governor's recommendation for FY 2019-20 does not address those costs.)

New Programs

The Governor's budget proposal includes \$5.0 million for a new per-pupil payment to districts for students in career and technical education (CTE) courses, as well as \$5.0 million for Early On and \$500,000 for special education mediation and parental supports, recommended by the Special Education Taskforce.

Increases in Existing Programs

In addition to the increases mentioned earlier for the foundation allowance and MPERS, the budget proposal includes an increase of \$23.1 million for special education, \$17.5 million for cash flow borrowing costs, \$2.0 million for partnership model districts, \$1.5 million for promise zone reimbursements, \$648,900 for school lunch, and a couple of other smaller increases.

Program Reductions or Eliminations

The Governor is proposing to reduce the amount of funding in the budget for shared-time programs. In a shared-time program, a nonpublic or home-schooled student participates in one or more non-core public school classes, generating payment for the public school, which is able to count that student in membership. The current estimate of the FY 2017-18 State cost of shared-time programs is \$132.0 million; the Governor's budget would cap the FY 2018-19 funding for any particular district at an amount equal to 5% of the district's non-shared time pupil count, and also would eliminate kindergarten from the list of eligible grades in which shared-time pupils may be counted. These two proposals would save the State an estimated \$67.9 million if implemented.

The Governor is proposing to eliminate the \$200.0 million one-time additional payment toward MPERS unfunded accrued liabilities, the \$12.5 million appropriated for CTE equipment upgrades, \$4.0 million for computer adaptive tests, \$2.5 million each for nonpublic schools mandates reimbursement, Michigan Education Corps, and value-added growth and projection analytics, along with a number of other programs. The Governor would reduce Flint Declaration of Emergency funding from \$8.7 million to \$3.2 million, and assessment funding by \$3.7 million. The budget proposes a number of cost adjustments, including savings in the foundation allowance due to declining pupils and increasing taxable values, a small reduction in Federal grants anticipated to be received, and other adjustments.

Other Items of Note

The proposed budget continues the \$72.0 million from the Community District Trust Fund to support the foundation allowance of the Detroit Public Schools Community District. The Governor's recommendation for the overall Education omnibus continues to fund the Community Colleges budget entirely out of School Aid Fund revenue and increases SAF support of the Higher Education budget. Total School Aid Fund support of postsecondary budgets under the Governor's Recommendation is \$783.5 million (\$398.6 million for Community Colleges and \$384.9 million for Higher Education), an increase of \$150.9 million above the FY 2017-18 level. The MPERS changes mentioned above are carried into the Community Colleges and Higher Education budgets.

Table 16

FY 2018-19 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (millions of dollars)	
FY 2017-18 Year-to-Date Gross Appropriations	\$14,584.3
FY 2018-19 Governor's Recommended Gross Appropriations	14,636.0
Net Change in School Aid Appropriations	\$51.7
Recommended Appropriations for New Programs:	
Career and technical education per-pupil payments	\$5.0
Special education taskforce - Early On	5.0
Special education taskforce - mediation and parental supports	0.5
Subtotal Appropriations for New Programs	\$10.5
Recommended Appropriation Increases in Existing Programs:	
Foundation allowance: \$120 to \$240 per-pupil increase	312.0
MPSERS rate cap on unfunded accrued liabilities	71.9
MPSERS normal cost increase due to lowered assumed rate of return (AROR)	39.2
Special education	23.1
Cash flow borrowing costs	17.5
MPSERS enhanced DC costs under PA 92 of 2017	14.5
Partnership model districts	2.0
Promise zone reimbursement	1.5
School lunch	0.6
MiSTEM executive director	0.2
Economics	0.2
MiSTEM advisory council	0.1
Subtotal Appropriation Increases in Existing Programs	\$482.8
Recommended Appropriation Eliminations or Reductions:	
Eliminate MPSERS one-time extra payment on unfunded accrued liabilities	(\$200.0)
Technical foundation allowance cost adjustments	(97.7)
Shared-time funding reduction	(67.9)
Cyber school foundation allowance reduction	(25.0)
Eliminate CTE equipment upgrades	(12.5)
Flint Declaration of Emergency reduction	(5.5)
Eliminate funding for computer adaptive assessments	(4.0)
Assessment funding reduction	(3.7)
Eliminate reimbursement for nonpublic schools mandates	(2.5)
Eliminate Michigan Education Corps	(2.5)
Eliminate value-added growth and projection analytics	(2.5)
Eliminate information technology certifications	(2.3)
Reduction in anticipated Federal grants	(2.2)
Reduction in renaissance zone reimbursements (technical)	(2.0)
Eliminate funding for year-round schools grants	(1.5)
Eliminate funding for financial data analysis tools	(1.5)
Eliminate funding for CTE counselors	(1.2)
Eliminate funding for online algebra tool	(1.1)
Eliminate funding for online mathematics tool	(1.0)
Eliminate funding for career prep and readiness platform	(1.0)
Transfer early literacy administrative funding to MDE	(1.0)
Eliminate funding for competency-based education grants	(0.5)
Eliminate funding for cybersecurity competitions	(0.5)
Eliminate funding for 10 Cents a Meal	(0.4)
Eliminate funding for Detroit Area Precollege Engineering Program (DAPCEP)	(0.3)
Eliminate funding for nonpublics in FIRST Robotics	(0.3)
Eliminate funding for digital assessment preparation	(0.3)
Eliminate funding for Van Andel Education Institute	(0.2)
Eliminate funding for early learning collaborative	(0.2)
Eliminate conductive learning center study	(0.2)
Eliminate restaurant and culinary training grant	(0.1)
Subtotal Appropriation Eliminations or Reductions	(\$441.6)
TOTAL RECOMMENDED APPROPRIATION CHANGES	\$51.7

Fee and Revenue Proposals

Proposed Fee Adjustments

Solid Waste Disposal Fees

The FY 2018-19 budget proposes one fee increase, which would raise a total of \$73.9 million in revenue from an increase in solid waste disposal fees, commonly referred to as "tipping fees", in the Department of Environmental Quality (DEQ). The fee is currently 12 cents per cubic yard, which is equivalent to about 36 cents per ton, depending on the type of waste. The proposal would eliminate the current fee and replace it with a fee of \$4.75 per ton, which would increase fee revenue from about \$5.0 million to \$79.0 million per year. Under the proposal, fee revenue would be used by the DEQ as follows:

- \$45.0 million for environmental cleanup and brownfield redevelopment
- \$15.0 million for recycling grants
- \$5.0 million for water quality monitoring
- \$5.0 million for State park infrastructure
- \$1.5 million for asbestos disposal oversight and landfill gas monitoring
- \$1.5 million for materials management planning with local units of government
- \$6.0 million for the existing solid waste management program

The Governor's budget recommendation also includes fee adjustments that would not have a budgetary impact until FY 2019-20. These include a fee increase on community water suppliers in the DEQ budget, and the elimination of a number of fee sunsets totaling about \$16.5 million of revenue in the Department of Licensing and Regulatory Affairs budget. The proposed fee increases on community water suppliers would support the following: integrated asset management, addressing infrastructure failures that threaten public health and the environment, and grants and loans to community water suppliers for capital improvements, including lead service line replacement. The proposal would not begin to generate revenue until FY 2019-20, when it is projected to generate about \$25.2 million, and then the revenue would increase over the following five years. Although the increased fees would not take effect until FY 2019-20, proposed legislation will be requested prior to that time, as the proposal would require community water suppliers to remit certain data to the DEQ to allow the DEQ to administer the fee.

Driver Responsibility Fees

The Governor's recommendation includes a proposed phase-out of driver responsibility fees by the end of FY 2018-19. The proposal would sunset new assessments beginning October 1, 2018, provide forgiveness of certain outstanding debts, offer amnesty for other selected debts, and allow drivers to seek reinstatement of their suspended licenses before all fees were paid. The provisions would eliminate the revenue source used to fund Fire Protection Grants, and reduce General Fund revenue by \$4.5 million in FY 2017-18, \$15.5 million in FY 2018-19, and \$9.0 million in FY 2019-20. As discussed below, the loss of revenue for Fire Protection Grants would be offset by modifying distributions of personal property tax reimbursement revenue made by the Local Community Stabilization Authority.

Proposed Revenue Adjustments

Personal Property Tax Reform

Personal property taxes (PPTs) were substantially changed by legislation enacted in 2012, amended in 2013 and 2014, and then made effective by voter approval in 2014. To reimburse local governments that had a lower property tax base as a result of the PPT exemptions and thus received less property tax revenue, the Local Community Stabilization Authority (LCSA) was created. The LCSA is required to levy a fixed dollar amount of the use tax and then distribute that revenue to compensate local governmental units for reduced personal property tax revenue according to a statutory formula.

The Department of Treasury determined that the reimbursements due in FY 2017-18 for calendar year 2017 taxes total \$374.1 million. Of that amount, \$135.4 million is payable to Tier 1 municipalities for millage guaranteed at 100%. The remaining funds available to be distributed to Tier 2 municipalities total \$238.7 million. Of the Tier 2 amount, only \$81.6 million is needed to reimburse the eligible local units for all of their qualified loss. The remaining \$157.1 million is in excess of the qualified losses. The amount of money necessary to reimburse local governments for Tier 2 millage was overestimated at the time the PPT package was enacted. The statute, however, requires the funds to be distributed. The payments are made according to a statutory schedule with most of the payments distributed in November 2017, and the remaining distribution scheduled for February 2018.

The Governor's recommendation characterizes the \$157.1 million in reimbursements in excess of 100% of the qualified loss as "bonus payments" that can be regarded as funds that reduce the need for FY 2018-19 State appropriations in certain budget areas. The proposed budgets for community colleges and revenue sharing note that the PPT bonus payments are available to many local units of government to offset increased costs in other areas. Not every community college and local unit of government, however, receives this additional payment.

The Governor's recommendation also proposes legislation to modify the distribution of Tier 2 payments in excess of qualified losses. The new formula would not allocate any excess revenue to libraries or authorities, and the excess revenue would first be reduced by an amount necessary to guarantee full funding of Fire Protection Grants. (Fire Protection Grants are partially funded by driver responsibility fees, which the recommendation would phase out by the end of FY 2018-19.) After funding Fire Protection Grants, the proposed formula would divide the remaining revenue across the remaining types of local units (counties, cities, villages, townships, and community colleges) based on their average share of excess revenue during the last two years. As a result, counties would receive 30% of the excess revenue after Fire Protection Grants were funded, while cities would receive 48%, villages 2%, townships 5%, and community colleges 15%. Excess revenue to individual community colleges would be distributed based on their share of State appropriations, while distributions to other local units would be made on a per-person basis, according to a unit's revenue sharing population.

Redirection of Transportation Economic Development Fund (TEDF) Revenue

The Governor's Department of Transportation budget proposal would redirect \$13.0 million of TEDF funding reserved for Category A (targeted industries) to the State General Fund. Category A funds are used for improvements that will result in economic development for the local area of a project. To qualify for funding, a Category A project must relate to one of the following industries: agriculture; tourism; forestry; high-tech research; manufacturing; mining; office centers of not less than 50,000 square feet; and medical research/tourism facilities of not less than 50,000 square feet.

The FY 2017-18 appropriation for TEDF Category A projects is \$19,059,500. The proposed \$13.0 million redirection of Category A funds, coupled with a \$615,100 base increase from Michigan Transportation Fund revenue, would leave the TEDF Category A line with \$6,674,600 for FY 2018-19. It should be noted that this proposed TEDF redirection would require a change in statute.

Major Budget Areas Appropriation Summaries

Capital Outlay, Community Colleges, and Higher Education

Capital Outlay

The Governor's FY 2018-19 budget recommendation does not include any new planning authorizations for State agencies, universities, or community colleges. The Governor is proposing an FY 2017-18 supplemental that would change the State funding for three authorized projects from State Building Authority (SBA) bonding to a General Fund appropriation. The affected projects include the Detroit and Grand Rapids Veterans Homes (State share \$42.1 million) and the State Capitol Restoration/Infrastructure Upgrade Project (State share \$70.0 million). The SBA estimates that paying cash for the State share of these projects would result in estimated savings of \$48.1 million.

Community Colleges

The Governor's budget recommendation does not include a funding increase for community college operations, due to additional funding that colleges receive from changes to the personal property tax. The Governor is recommending that funds allotted based on current personal property tax calculations be changed so that there is a more equitable distribution of funding. The Governor also proposes a net increase of \$7.3 million from the School Aid Fund (SAF) for MPERS-related adjustments, the elimination of \$1.0 million GF/GP for FY 2017-18 one-time Michigan Transfer Network enhancements, and a \$600,000 SAF reduction (from \$3.1 million to \$2.5 million) to Renaissance Zone reimbursements based on projected costs. Details are included in Table 17.

Higher Education

The Governor's budget recommendation for Higher Education includes a \$28.6 million, or 2.0%, School Aid Fund increase for university operations. Half of the increase would be distributed proportional to FY 2010-11 appropriations and half would be distributed based on performance metrics. Tuition restraint for resident undergraduate students is recommended at the greater of a 3.8% or \$490 increase. Michigan State University AgBioResearch and Extension would receive a 2.0% increase of \$1.3 million. Michigan Public School Employees Retirement System reimbursements and hold-harmless payments would be reduced by a net \$1.3 million SAF, from \$7.1 million to \$5.8 million. The Tuition Incentive Program would be increased by \$1.5 million Federal, from \$58.3 million to \$59.8 million, based on program need. Competitive Scholarships would be increased by \$6.0 million GF/GP, from \$26.4 million to \$32.4 million; and Tuition Grants decreased by \$6.0 million GF/GP, from \$38.0 million to \$32.0 million. The Tuition Grant per-student maximum award is proposed to be increased from a minimum of \$2,000 to \$2,100, while the cap on Tuition Grant payments per institution would be increased by \$700,000, from \$3.5 million to \$4.2 million.

Table 18 provides details of the Higher Education recommendation.

Table 17

FY 2018-19 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION				
College	FY 2017-18 Year-To-Date	FY 2018-19 Governor's Recommendation		
		Adjustments	Appropriation	Percent Change
Alpena	\$5,627,500	\$0	\$5,627,500	0.0%
Bay de Noc	5,589,000	0	5,589,000	0.0%
Delta	14,990,700	0	14,990,700	0.0%
Glen Oaks	2,601,400	0	2,601,400	0.0%
Gogebic	4,715,400	0	4,715,400	0.0%
Grand Rapids	18,556,800	0	18,556,800	0.0%
Henry Ford	22,299,200	0	22,299,200	0.0%
Jackson	12,590,100	0	12,590,100	0.0%
Kalamazoo Valley	12,948,700	0	12,948,700	0.0%
Kellogg	10,143,600	0	10,143,600	0.0%
Kirtland	3,289,400	0	3,289,400	0.0%
Lake Michigan	5,523,600	0	5,523,600	0.0%
Lansing	32,324,200	0	32,324,200	0.0%
Macomb	33,863,600	0	33,863,600	0.0%
Mid Michigan	4,968,900	0	4,968,900	0.0%
Monroe	4,665,500	0	4,665,500	0.0%
Montcalm	3,446,300	0	3,446,300	0.0%
Mott	16,258,100	0	16,258,100	0.0%
Muskegon	9,203,000	0	9,203,000	0.0%
North Central	3,353,200	0	3,353,200	0.0%
Northwestern	9,508,900	0	9,508,900	0.0%
Oakland	21,905,700	0	21,905,700	0.0%
Schoolcraft	12,991,300	0	12,991,300	0.0%
Southwestern	6,860,700	0	6,860,700	0.0%
St. Clair	7,300,100	0	7,300,100	0.0%
Washtenaw	13,631,400	0	13,631,400	0.0%
Wayne County	17,338,300	0	17,338,300	0.0%
West Shore	2,556,300	0	2,556,300	0.0%
Subtotal Operations:	\$319,050,900	\$0	\$319,050,900	0.0%
MPSERS Retiree Health Care	1,733,600	0	1,733,600	0.0%
MPSERS Reform Costs	70,805,000	4,495,000	75,300,000	6.3%
Renaissance Zone Reimbursements	3,100,000	(600,000)	2,500,000	(19.4%)
MI Transfer Network Enhancements (one-time)	1,025,000	(1,025,000)	0	(100.0%)
MPSERS Normal Cost Offset (one-time)	3,612,000	2,819,000	6,431,000	78.0%
Total Appropriations:	\$399,326,500	\$5,689,000	\$405,015,500	1.4%
State School Aid Fund	398,301,500	6,714,000	405,015,500	1.7%
GF/GP	\$1,025,000	(\$1,025,000)	\$0	(100.0%)

Table 18: FY 2018-19 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

University	FY 2017-18 Year-To-Date Appropriation	Formula Adjustments					Other Changes	FY 2018-19 Gov. Rec.	Dollar Change From FY 2017-18	Percent Change	Appropriation Per FYES
		Proportional to FY 2010-11	Critical Skills	Research & Development	Metrics based on Carnegie Peers	Total Formula Distribution					
Central	\$85,654,400	\$805,831	\$145,914	\$15,721	\$791,249	\$1,758,700		\$87,413,100	\$1,758,700	2.1%	\$4,327
Eastern	75,169,900	764,542	166,606	5,118	870,986	1,807,300		76,977,200	1,807,300	2.4	4,602
Ferris	53,595,500	488,929	273,556	0	617,870	1,380,400		54,975,900	1,380,400	2.6	4,724
Grand Valley	70,100,100	623,253	246,801	0	1,083,375	1,953,400		72,053,500	1,953,400	2.8	3,150
Lake Superior	13,775,000	127,657	33,947	0	51,786	213,400		13,988,400	213,400	1.5	7,248
Michigan State	281,239,100	2,852,821	576,106	369,240	1,231,666	5,029,800		286,268,900	5,029,800	1.8	6,230
Michigan Tech	49,052,200	481,940	164,009	62,637	187,141	895,700		49,947,900	895,700	1.8	7,510
Northern	47,137,400	453,944	106,260	0	306,972	867,200		48,004,600	867,200	1.8	6,966
Oakland	51,235,900	510,470	239,430	13,313	816,981	1,580,200		52,816,100	1,580,200	3.1	2,957
Saginaw Valley	29,766,100	278,767	87,832	0	394,140	760,700		30,526,800	760,700	2.6	3,867
UM-Ann Arbor	314,589,100	3,180,347	561,008	905,443	1,539,429	6,186,200		320,775,300	6,186,200	2.0	7,014
UM-Dearborn	25,421,900	248,654	85,501	0	314,672	648,800		26,070,700	648,800	2.6	3,776
UM-Flint	23,061,800	210,156	108,259	0	203,840	522,300		23,584,100	522,300	2.3	3,662
Wayne State	199,169,800	2,153,770	170,603	191,499	675,324	3,191,200		202,361,000	3,191,200	1.6	8,990
Western	109,376,800	1,102,321	208,258	24,074	436,835	1,771,500		111,148,300	1,771,500	1.6	5,698
Subtotal University Operations:	\$1,428,345,000	\$14,283,400	\$3,174,090	\$1,587,044	\$9,522,267	\$28,566,800	\$0	\$1,456,911,800	\$28,566,800	2.0%	\$5,610
MPERS Reimbursement	\$6,705,000						(\$1,572,000)	\$5,133,000	(\$1,572,000)	(23.4%)	
MSU AgBioResearch	33,913,100						678,300	34,591,400	678,300	2.0	
MSU Extension	29,252,600						585,100	29,837,700	585,100	2.0	
Higher Education Database	200,000						0	200,000	0	0.0	
Midwest Higher Ed Compact	115,000						0	115,000	0	0.0	
King-Chavez-Parks	2,691,500						0	2,691,500	0	0.0	
MPERS Normal Cost Hold Harmless (one-time)	419,000						250,000	669,000	250,000	59.7	
Total Universities	\$1,501,641,200	\$14,283,400	\$3,174,090	\$1,587,044	\$9,522,267	\$28,566,800	(\$58,600)	\$1,530,149,400	\$28,508,200	1.9%	
School Aid Fund	238,343,500	14,283,400	3,174,090	1,587,044	9,522,267	28,566,800	118,678,000	385,588,300	147,244,800	61.8	
State GF/GP	\$1,263,297,700	\$0	\$0	\$0	\$0	\$0	(\$118,736,600)	\$1,144,561,100	(\$118,736,600)	(9.4%)	
Grants and Financial Aid											
State Competitive Scholarships	\$26,361,700						\$6,000,000	\$32,361,700	\$6,000,000	22.8%	
Tuition Grants	38,021,500						(6,000,000)	32,021,500	(6,000,000)	(15.8)	
Tuition Incentive Program (TIP)	58,300,000						1,500,000	59,800,000	1,500,000	2.6	
Children of Veterans & Officer's Tuition	1,400,000						0	1,400,000	0	0.0	
Project Gear-Up	3,200,000						0	3,200,000	0	0.0	
North American Indian Tuition Waiver	300,000						(300,000)	0	(300,000)	(100.0)	
Total Grants/Financial Aid	\$127,583,200						\$1,200,000	\$128,783,200	\$1,200,000	0.9%	
Federal Higher Ed Act	3,200,000						0	3,200,000	0	0.0	
Federal TANF	108,326,400						1,500,000	109,826,400	1,500,000	1.4	
Veterans Tax Check-off	100,000						0	100,000	0	0.0	
State GF/GP	\$15,956,800	\$0	\$0	\$0	\$0	\$0	(\$300,000)	\$15,656,800	(\$300,000)	(1.9)	
TOTAL HIGHER EDUCATION											
TOTAL ALL FUNDS	\$1,629,224,400	\$14,283,400	\$3,174,090	\$1,587,044	\$9,522,267	\$28,566,800	\$1,141,400	\$1,658,932,600	\$29,708,200	1.8%	
TOTAL FEDERAL	111,526,400	0	0	0	0	0	1,500,000	113,026,400	1,500,000	1.3	
TOTAL STATE RESTRICTED	238,443,500	14,283,400	3,174,090	1,587,044	9,522,267	28,566,800	118,678,000	385,688,300	147,244,800	61.8	
TOTAL STATE GF/GP	\$1,279,254,500	\$0	\$0	\$0	\$0	\$0	(\$119,036,600)	\$1,160,217,900	(\$119,036,600)	(9.3%)	

Department of Corrections

The Governor's budget recommendation for Corrections includes \$13.7 million to transfer prisoner food service from a private vendor back to State employees. The increase would allow the Michigan Department of Corrections (MDOC) to hire 352.0 FTEs to replace the contracted employees. Of the increase, approximately \$6.6 million would be due to stranded legacy costs that are currently part of the State budget, but would be assigned to MDOC payroll. The budget proposes \$18.9 million in savings from the closure of the West Shoreline Correctional Facility. The prison population has fallen by almost 3,900 inmates in the past three years, and this closure, along with the 2016 closure of Pugsley Correctional Facility and the end of the leased beds program, reflects that decline. The budget also proposes to eliminate \$6.0 million in legislative initiatives that had been added to the budget in recent years. These eliminations include the Goodwill Flip-the-Script program, the Supervising Region Incentive Program, and a high school online equivalency pilot program, among others.

Department of Health and Human Services

The Governor's proposed FY 2018-19 budget for the Department of Health and Human Services (DHHS) is largely a continuation budget on a programmatic basis, with most funding adjustments tied to base, caseload, and fund sources as well as Federal rule changes. The overall budget is down \$268.9 million Gross but up \$162.0 million GF/GP from the year-to-date FY 2017-18 funding level. The main reason for this difference in Gross and GF/GP funding is large negative Gross base adjustments in lines that have zero or very little GF/GP funding, in particular Food Assistance Program (FAP) and Healthy Michigan Plan funding.

Base and Caseload Adjustments

The budget is built off the FY 2017-18 year-to-date funding, which does not take into account very large net FY 2016-17 lapses in the Medicaid program. As such, the FY 2017-18 Medicaid base is significantly overappropriated, and large, mostly negative adjustments are included in the Governor's proposed FY 2017-18 DHHS supplemental.

The largest base and caseload adjustments are negative adjustments to the FAP line (\$415.1 million, all Federal) and the Healthy Michigan Plan (\$192.8 million Gross and \$13.0 million GF/GP). The budget includes adjustments to public assistance programs (savings of \$3.0 million Gross and \$6.9 million GF/GP) and child welfare programs (increase of \$40.3 million Gross and \$30.2 million GF/GP). The net adjustment for traditional Medicaid outside of Autism Services is a reduction of \$20.5 million Gross and \$2.4 million GF/GP.

There is one line that would nearly double from its year-to-date FY 2017-18 funding level: Medicaid Autism Services funding would increase from \$105.1 million to \$199.8 million, at a cost of \$33.7 million GF/GP. Although a significant increase was anticipated, it should be noted that the Governor's proposed FY 2017-18 supplemental assumes that most of this \$94.7 million Gross increase over current funding (\$75.6 million Gross) would occur in FY 2017-18. Given that, it appears that the remaining increase of \$19.1 million Gross from the adjusted FY 2017-18 level to FY 2018-19 would likely be insufficient to cover the continued rapid growth in the line.

Medicaid Actuarial Soundness

The State is required by the Federal government to reimburse Medicaid managed care organizations (MCOs) at actuarially sound rates. The Legislature and Governor agreed to an additional 1.0% increase for Medicaid MCOs that provide physical health services in the FY 2017-18 budget. The Governor's FY 2018-19 budget proposes an additional 1.5% increase for Medicaid physical health, including dental services, at a total cost, with the 2.5% adjustment over the original FY 2017-18 funding level, of \$146.1 million Gross and \$36.1 million GF/GP. The 1.5% increase itself would cost \$89.1 million Gross and \$22.2 million GF/GP. Rates for behavioral health MCOs, the pre-paid inpatient health plans (PIHPs), would be increased by 2.0% in FY 2018-19, at a cost of \$51.0 million Gross and \$16.5 million GF/GP.

Fund Source Adjustments

The traditional Federal Medicaid match rate would decline from 64.78% to 64.45%, increasing State costs by \$38.0 million GF/GP. The expansion Medicaid (Healthy Michigan Plan) match rate would decrease from 94.25% to 93.25%, increasing State costs by \$33.0 million GF/GP.

One-time carry-forward Health Insurance Claims Assessment (HICA) revenue would no longer be available, increasing GF/GP costs by \$60.0 million. On the positive side, there would be more revenue available in the Medicaid Benefits Trust Fund, reducing GF/GP costs by \$38.3 million.

Hospital Rate Adjustor and Managed Care Rule

The State has made large (\$1.45 billion in FY 2016-17) supplemental payments paid through Medicaid MCOs to hospitals as part of the "hospital rate adjustor" (HRA) process. The State match dollars for these Medicaid payments are provided through the hospital quality assurance assessment program (QAAP) tax. The Federal government is forcing the State to phase out the HRA payments, with a reduction of 10% per year over 10 years. The Federal government also has made changes to what payments can be made under the HRA even as the payments are phased out. These changes include making the HRA payments more directly tied to claims and restructuring payments to better support access to hospital services. The Federal government's changes would also mean that certain special hospital pools that were mostly passed through the HMOs to hospitals, such as the \$34.3 million rural and sole community hospital pool and the \$11.3 million obstetrics/gynecology (OB/GYN) hospital funding pool, will no longer be eligible for matching funds.

The Governor's budget proposes increasing the hospital QAAP by \$54.2 million in order to increase the flow of HRA money, payments that meet the new Federal requirements, through to the hospitals even as this annual 10% annual reduction starts to be implemented. Under the QAAP statute, the State retains 13.2% of the Federal match related to QAAP revenue. The retention would result in a \$21.2 million GF saving as the State would retain \$21.2 million of that QAAP increase.

Of that \$21.2 million, \$7.0 million (all GF) would be used to fully restore the OB/GYN pool (which is presently \$3.9 million GF, \$7.0 million Federal) to maintain that funding at current levels. While the Federal match for the rural/sole hospital pool would discontinue, it appears that the shifting of HRA funding to focus on addressing access issues would help offset that.

The net impact of these changes would be a \$198.7 million increase in Gross funding, mostly due to the increased HRA payments, with net GF/GP savings of \$13.4 million.

New Initiatives

The Governor's budget proposes to continue funding to combat per- and polyfluoroalkyl substances (PFAS) that have been found at various sites around the State. Total funding would be just over \$8.0 million Gross and GF/GP, a slight drop from FY 2017-18 funding, which included some one-time laboratory equipment purchases. The budget also would include \$4.8 million Gross and GF/GP for local public health to address PFAS, vapor intrusion, drinking water contamination, and other potential issues. The budget also proposes a \$2 per-person per-month increase in the Family Independence Program (FIP) grant.

One-time funding for efforts to address the Flint water crisis would continue, with continued funding for lead poisoning prevention, "Double Up Food Bucks", the Children's Health Access and Michigan Child Collaborative Care programs, lead abatement and investigations, and the Nurse Family Partnership, among other endeavors.

While not a new initiative per se, the second Healthy Michigan Plan (HMP) waiver required that certain higher-income HMP recipients who have been on HMP for at least 48 months migrate to the health exchanges for coverage. The Governor's budget assumes that 10,000 individuals would shift into the exchanges and that exchange products would be 25.0% more expensive than HMP coverage, with an assumed cost of \$12.0 million Gross and \$810,000 GF/GP.

Reductions and Savings Initiatives

The Governor's budget again proposes ending the county hold harmless provision for foster care payments, for savings of \$8.0 million Gross and GF/GP. The proposed budget removes numerous other legislative initiatives from the FY 2017-18 budget, including funding for a guardianship rate increase, MedIncentive grants, the Real Alternatives program, the bone marrow transplant registry, and out-State dental clinics.

Finally, the budget assumes savings in the Medicaid Pharmaceutical Services line from a proposal to list various drugs on the Preferred Drug List even if those drugs are statutorily exempted from prior authorization. This apparently would have no impact on the ability of Medicaid clients to be given prescriptions for these drugs but would lead to increased rebate revenue (\$14.1 million Gross, \$5.0 million GF/GP savings).

Boilerplate

As is usually the case, the Governor's budget removes a large amount of boilerplate from the current-year budget. Section 298, which deals with behavioral health integration pilots, would be updated to reflect the implementation of those pilots and their continued evaluation.

Summary

The proposed FY 2018-19 budget reflects numerous base and caseload adjustments resulting in a large reduction in spending, a large increase in Medicaid autism costs, complex adjustments tied to new Federal rules on hospital payments that flow through MCOs, a small number of new initiatives, and the removal of numerous FY 2017-18 legislative initiatives.

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.3 billion in FY 2018-19, an increase of 0.8% or \$10.9 million over FY 2017-18 year-to-date appropriations. This increase is due almost entirely to an estimated \$24.7 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), offset by a \$12.0 million reduction in one-time funding for CVT "statutory" revenue sharing. There also is a net decrease in payments to counties of \$1.9 million. The grant program for financially distressed cities, villages, and townships would be funded at the same level in FY 2018-19 as in FY 2017-18. The Governor's recommendation is shown in Table 19.

Table 19

REVENUE SHARING APPROPRIATION SUMMARY				
Ongoing/One-Time Appropriations	FY 2017-18 Year-to-Date	FY 2018-19 Gov's Rec.	Dollar Change	Percent Change
Constitutional Revenue Sharing	\$807,610,900 ^{a)}	\$832,343,800	\$24,732,900	3.1%
CVT Revenue Sharing	255,040,000	243,040,000	(12,000,000)	(4.7)
County Incentive Program	43,160,400	43,218,800	58,400	0.1
County Revenue Sharing	176,926,800	175,006,700	(1,920,100)	(1.1)
Financially Distressed CVTs	5,000,000	5,000,000	0	0.0
TOTAL	\$1,287,738,100	\$1,298,609,300	\$10,871,200	0.8%
^{a)} Reflects the January 2018 consensus revenue estimate for sales tax revenue.				

Constitutional revenue sharing is estimated at \$832,343,800 in FY 2018-19 based on the January 2018 consensus revenue estimates. This would provide CVTs with a 3.1% increase in payments over the revised FY 2017-18 estimate. Constitutional revenue sharing pays CVTs 15.0% of sales tax collected at a rate of 4.0%. The funds are distributed on a per capita basis. Each CVT is projected to receive approximately \$84.48 per capita in FY 2018-19.

For CVT revenue sharing ("statutory"), the Governor recommends \$243,040,000 in FY 2018-19. This consists entirely of ongoing funding and removes \$12.0 million in one-time funding from FY 2017-18. Eligibility, payments, and transparency and accountability requirements would remain the same as in the current fiscal year.

The Governor proposes to reduce revenue sharing payments to counties by 0.9% to \$218.2 million. The County Revenue Sharing line would decrease by \$1,920,100 to \$175,006,700 and the County Incentive Program would increase by \$58,400 to \$43,218,800. This includes the removal of \$2,179,100 GF/GP that was added in FY 2017-18, paired with an increase of \$317,400 in revenue sharing payments to counties to cover the cost of three counties (Antrim, Keweenaw, and Mackinac) that will return to State-paid county revenue sharing for part-year funding in FY 2018-19. As in prior years, compliance with accountability and transparency criteria would be required for eligible counties to receive full payments under the County Incentive Program in FY 2018-19. The last two counties (Emmet and Leelanau) are projected to return to State-paid revenue sharing in FY 2021-22 and FY 2022-23, when withdrawals from each county's revenue sharing reserve fund will be completed.

The Governor's budget maintains the grant program for Financially Distressed Cities, Villages, or Townships at \$5.0 million in FY 2018-19, the same level of funding as in FY 2017-18.

Department of Transportation

In addition to \$150.0 million in income tax revenue earmarked through the 2015 road funding package, the Governor is proposing \$175.0 million GF/GP for roads in FY 2018-19, which would essentially accelerate the package to the estimated FY 2019-20 funding level. The money is proposed to be divided pursuant to the Public Act 51 distribution formula, in the following way:

- \$68,425,000 for State roads (39.1%),
- \$68,425,000 for county road commissions (39.1%), and
- \$38,150,000 for cities and villages (21.8%).

Of the portion set aside for State roads, \$20.0 million is proposed by the Governor for three new projects: \$6.0 million for connected vehicle technologies to support the installation of dedicated short-range communications (DSRC) units at three locations in southeastern Michigan and one in the Upper Peninsula; \$3.0 million for hydrogen fuel cell charging stations; and \$11.0 million for an innovative mobility pilot program for seniors and individuals with disabilities.

Table 20

**FLINT DRINKING WATER DECLARATION OF EMERGENCY
SUMMARY OF GROSS AND GF/GP STATE APPROPRIATIONS
FY 2015-16 through FY 2018-19 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2015-16 Year-to-Date		FY 2016-17 Year-to-Date		FY 2017-18 Year-to-Date*		FY 2018-19 Gov's Rec.		Cumulative Approps	
	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Agriculture & Rural Dev.	\$0	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$100	\$0
Attorney General	1,300,000	0	5,600,000	3,000,000	2,600,000	0	2,600,000	0	12,100,000	3,000,000
Education	28,285,000	8,685,000	8,050,100	0	100	0	100	0	36,335,300	8,685,000
Environmental Quality	47,253,500	45,776,500	110,500,100	5,400,000	31,200,100	18,000,000	100	0	188,953,800	69,176,500
									0	0
Health & Human Services	32,097,000	19,600,000	15,138,100	9,094,200	21,541,700	1,680,000	4,621,100	4,621,000	73,397,900	34,995,200
HHS Medicaid Waiver	20,862,600	4,470,700	30,352,500	6,098,100	30,352,500	6,098,100	30,352,500	6,098,100	111,920,100	22,765,000
Licensing & Regulatory Affairs	1,860,000	1,660,000	0	0	100	0	0	0	1,860,100	1,660,000
									0	0
Military & Veterans Affairs	2,500,000	2,000,000	0	0	0	0	0	0	2,500,000	2,000,000
Natural Resources	250,000	250,000	0	0	0	0	0	0	250,000	250,000
School Aid	9,200,000	9,200,000	12,630,100	10,142,500	8,730,100	8,730,000	3,230,100	3,230,000	33,790,300	31,302,500
									0	0
State Police	6,100,000	6,100,000	3,908,100	0	0	0	0	0	10,008,100	6,100,000
Talent & Economic Dev.	0	0	0	0	0	0	100	0	100	0
Tech, Man, Budget Reserve	18,900,000	18,900,000	10,000,000	10,000,000	25,000,000	25,000,000	0	0	53,900,000	53,900,000
Reserve Fund Withdrawals	(977,000)	0	(26,060,500)	0	(20,700,700)	0	(700)	0	(47,738,900)	0
Tech, Man, Budget	0	0	500,000	0	0	0	100	0	500,100	0
Treasury	44,130,000	44,130,000	14,400,100	0	100	0	100	0	58,530,300	44,130,000
Total	\$211,761,100	\$160,772,200	\$185,018,600	\$43,734,800	\$98,724,100	\$59,508,100	\$40,803,500	\$13,949,100	\$536,307,300	\$277,964,200

* Includes FY 2017-18 pending DEQ \$29.0 million supplemental (request 2018-3).

	<u>Gross</u>	<u>GF/GP</u>
Cumulative State Appropriations =	\$536,307,300	\$277,964,200
Total Reserve Fund Appropriations	\$53,900,000	\$53,900,000
Total Reserve Fund Withdrawals	<u>(\$47,738,900)</u>	
Reserve Fund Balance	\$6,161,100	

Summary of Other General Appropriation Issues

State Employee Compensation Changes

Article XI, Section 5 of the Michigan Constitution provides that increases in the rates of compensation authorized by the Civil Service Commission require prior notice to the Governor, who then transmits the increases to the Legislature as part of the overall budget recommendation. Within 60 calendar days after the transmission, the Legislature, by a two-thirds vote of the members elected and serving in each house, may reject or reduce increases in the rate of compensation authorized by the Civil Service Commission. Reductions made by the Legislature must apply uniformly to all classes of employees and cannot adjust pay differentials already established by the Civil Service Commission. Rates of compensation also cannot be reduced below those in effect at the time the increases are transmitted to the Legislature.

The Civil Service Commission on December 14, 2016, approved a two-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for fiscal years (FYs) 2017-18 and 2018-19. At that meeting, the Commission approved a 2.0% general wage increase effective October 1, 2018, for represented employees. Additionally, contracts will require represented employees to continue to pay 20.0% of their health care premiums.

The Civil Service Commission, on December 13, 2017, adopted a Coordinated Compensation Plan for non-exclusively represented State classified employees (NEREs) for FY 2018-19. Beginning on October 1, 2018, NEREs will receive a 2.0% general wage increase. They also will continue to pay 20.0% of their health insurance premium in FY 2018-19. Coordinated Compensation Plans for NEREs are approved by the Civil Service Commission on an annual basis; thus, a compensation plan for FY 2019-20 will not be considered until December 2018.

Total Gross employee wages and salaries in the FY 2018-19 Governor's budget are an estimated \$3.4 billion, while other total Gross employee benefit costs are an estimated \$2.7 billion.

Table 21 provides a summary of the incremental State employee economic cost changes for FY 2018-19 recommended in the Governor's budget, including Gross employee salary increases of \$65.6 million. The State's portion of the cost of longevity payments and employee health insurance is estimated to increase by \$19.7 million for FY 2018-19. The amount that needs to be contributed to the State employee retirement systems in FY 2018-19 results in an increase in costs. Retirement contributions, excluding payments for legacy pension costs, will increase \$3.7 million Gross and \$1.5 million GF/GP. Other employee retirement costs (OERC), including legacy pension costs and retiree health care costs, for FY 2018-19 will be more than the costs in FY 2017-18. Gross increases for OERC will total \$11.6 million or \$5.0 million GF/GP. The total GF/GP impact of economic adjustments for FY 2018-19 is an increase of \$56.2 million.

Table 21
FY 2018-19 STATE BUDGET RECOMMENDATION
ECONOMIC ADJUSTMENTS INCLUDED IN BUDGET
(millions of dollars)

	Gross	GF/GP
Wages and Salaries	\$65.6	\$35.5
Longevity and Employee Insurance Costs	19.7	9.9
Retirement Contributions	3.7	1.5
Other Employee Retirement Costs (OERC)	11.6	5.0
Workers' Compensation.....	0.5	0.5
All Other Economics	7.7	3.8
TOTAL ECONOMICS	\$108.8	\$56.2

Employer Retirement Contribution Rates

A significant aspect of the State budget, as well as the budgets of K-12 school districts and community colleges, is the amount employers are required to pay into the retirement accounts of their employees. The Governor's budget includes the required employer contribution rates to the two largest plans: the State Employees' Retirement System (SERS) and the Michigan Public School Employees' Retirement System (MPERS). The State also has retirement plans for State Police, Judiciary, and the Legislature, but those systems are not discussed here as they are much smaller in scale. Public Acts 300 of 2012 and 136 of 2016 implemented a cap on the rate school employers in MPERS pay toward the unfunded accrued liabilities in the system, and Public Act 92 of 2017 implemented a cap on the rate employers pay toward the optional defined contribution plan, with any payments above the cap paid by the State.

Lowering the Assumed Rate of Return (AROR)

Beginning in FY 2017-18, as reflected in Tables 22 and 23, the assumed rate of return (AROR) in most of the State's retirement plans was lowered from 8% to 7.5%. The AROR for MPERS was lowered one-quarter point to 7.75%. Continuing in FY 2018-19, the MPERS AROR is reduced another one-quarter point, from 7.75% to 7.5%. Due to the adoption of a "dedicated gains" policy by the various retirement system boards, beginning in FY 2019-20 for MPERS, and in FY 2020-21 for the other State systems, the ARORs will be adjusted downward any time there are gains that exceed the AROR (i.e., excess gains will be "dedicated" to "buying down" the ARORs).

Any time the AROR is lowered, there are increases in both the payments for liabilities accrued in the past (legacy costs) and the amount required to pay for benefits earned today (normal cost). Therefore, in MPERS, for FY 2018-19, there are additional costs in the K-12, community colleges, and higher education budgets to implement the further one-quarter point reduction in the AROR. The State is required to pay any legacy costs that exceed the statutory caps for local employers; the State is not required to reimburse employers for increases in normal costs.

Beginning in FY 2019-20 (unless the retirement boards vote to rescind the "dedicated gains" policies), there will be additional normal costs required to be paid by schools and colleges (estimated today at \$105.0 million), unless a budget is enacted to hold local employers harmless from the AROR change. Beginning in FY 2020-21, there will be additional normal costs required to be paid by the State for the other State retirement systems. These costs will occur any time "dedicated gains" are used to "buy down" the AROR. The excess gains pay for the increase in legacy unfunded accrued liability (UAL) payments, but not the increase in normal costs.

Returning to the FY 2018-19 budget impact, an increase of \$42.2 million is proposed to pay the increased normal costs in MPERS for the second year of the phase-in of the lower AROR. (As mentioned above, reimbursing local employers for the increase in normal costs is optional for the State.) Also, an additional State cost of \$113.6 million is required to pay for the increased UAL costs attributable to the lower AROR, although this is partially offset by \$38.7 million in other UAL savings, leaving a net UAL cost increase in FY 2018-19 of \$74.9 million. The higher funding levels will continue until the UAL is paid off (FY 2037-38).

Under Public Act 92 of 2017, the State is required to pay any additional defined contribution costs in excess of 4% of payroll for participating employees. This is estimated to cost \$15.8 million for FY 2018-19, an increase of \$4.0 million. Also, the Governor is proposing to cover the increase in employer normal costs due to PA 92 of 2017 (which arise because the hybrid plan assumes 6% rate of return), estimated to total \$21.8 million for FY 2018-19, an increase of \$10.5 million.

Contribution Rates and Estimated Costs for SERS and MPSERS

Table 22 provides a three-year summary of the contribution rates for defined benefit (DB) and defined contribution (DC) retirement for SERS. Beginning in FY 2012-13, the unfunded accrued liability in SERS was spread across both DB and DC payroll, rather than just the declining DB payroll as had been the case previously. Also, beginning in FY 2011-12, the funding methodology for retiree health care was changed from a cash basis to a prefunding basis, requiring larger contributions up front in order to save money down the road. The State Employees' Retirement System pension component was closed to newly hired employees on March 31, 1997, and the retiree health care premium coverage component was closed to new employees on January 1, 2012.

Table 22

STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2016-17	FY 2017-18	FY 2018-19	2018-19 Change
<u>State Employees' Retirement System</u>¹⁾				
Defined Benefit Pension	25.50%	24.60%	21.97%	(2.63%)
Defined Benefit Health Care	21.05	22.14	23.81	1.67
Total Defined Benefit Costs	46.55%	46.74%	45.78%	(0.96%)
Defined Contribution Retirement	28.94%	26.43%	24.38%	(2.05%)
Defined Contribution Health Care	21.70	22.14 ²⁾	23.81 ²⁾	1.67
Total Defined Contribution Costs	50.64%	48.57%	48.19%	(0.38%)
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2017-18 will be the seventh year of prefunding retiree health.				
²⁾ For DC employees hired after January 1, 2012, cost would be 2% higher to pay the 401k health match.				

Table 23 provides a look at the FY 2018-19 contribution rates for the eight different retirement plan combinations in MPSERS. Before the enactment of significant MPSERS reforms in 2010 and 2012, there were two principal types of retirement plans available to school employees, based on hire date: the basic system and the Member Investment Plan (MIP) system. Since the passage of the reforms that began in 2010, there are now eight combinations of retirement and retiree health care plans in MPSERS, including the earlier basic and MIP plans (no longer available to new employees), the Pension Plus hybrid plan (available between July 2010 and January 2018), a straight defined contribution plan (available since September 2012), and a second hybrid plan (available since February 2018). Retiree health care for school employees first hired since September 4, 2012, is now strictly a personal health fund (401k or similar savings account) and does not contain any health care premium subsidy. All employees hired before September 4, 2012, also were given an opportunity to "cash out" the value of their health care premium subsidy and convert to a personal health fund. Similar to one of the SERS reforms, prefunding of retiree health care is now a component of MPSERS.

Public Act 300 of 2012 capped the K-12 and community college contribution rate for unfunded liabilities at roughly 21% of payroll (their FY 2011-12 amount), and Public Act 136 of 2016 capped the university contribution rate for unfunded liabilities at roughly 26% of payroll (their FY 2011-12 amount); the State pays for any liabilities above that amount. The "normal" cost for pension and retiree health care can fluctuate slightly from year to year, and is generally paid by the local employer. The State subsidy on the UAL is roughly 12.2% of MPSERS payroll for schools, community colleges, and participating libraries, or about \$1.1 billion. Legislation was enacted in 2016 to implement a rate cap for the seven universities that remain part of MPSERS for employees hired before 1996, and that State cost is roughly \$5.1 million.

Table 23

FY 2018-19 MPSERS EMPLOYER CONTRIBUTION RATES								
	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF	Pension Plus 2 with PHF
<u>Pension Contributions</u>								
Pension Normal Cost	4.86%	3.07%	3.07%	0.00%	0.00%	0.00%	4.86%	6.20%
Pension UAL	12.03	12.03	12.03	12.03	12.03	12.03	12.03	12.03
Pension Early Retirement Incentive	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Pension Total Rate	18.25%	16.46%	16.46%	13.39%	13.39%	13.39%	18.25%	19.59%
<u>Health Contributions</u>								
Health Normal Cost	0.36%	0.36%	0.00%	0.00%	0.36%	0.00%	0.00%	0.00%
Health UAL	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57
Health Total Rate	7.93%	7.93%	7.57%	7.57%	7.93%	7.57%	7.57%	7.57%
DB CONTRIBUTION TOTAL	26.18%	24.39%	24.03%	20.96%	21.32%	20.96%	25.82%	27.16%
<u>DC Contributions</u>								
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%	0.00%
Personal Health Care Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00	2.00
DC CONTRIBUTION TOTAL	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%	2.00%
<u>Total Uncapped Rate (w/o DC)</u>	38.39%	36.60%	36.24%	33.17%	33.53%	33.17%	38.03%	39.37%
State Subsidy	12.21	12.21	12.21	12.21	12.21	12.21	12.21	12.21
DC = Defined Contribution; MIP = Member Investment Plan; PHF = Personal Health Fund								
Note: The Governor's budget includes \$1.03 billion in the K-12 budget, \$75.3 million in the Community Colleges budget, and \$5.1 million in the Higher Education budget to pay the State subsidy for the UAL rate cap, which includes the FY 2018-19 cost of lowering the assumed rate of return to 7.5%, and \$15.8 million for the increased cost for the enhanced DC matching. Identified as one-time funding, the Governor's budget includes \$88.1 million in the K-12 budget, \$6.4 million in the Community Colleges budget, and \$0.7 million in the Higher Education budget to hold the entities harmless from increased pension and health care normal costs due to a lowering in the assumed rate of return. Further, the budget includes \$21.8 million to hold employers harmless from the increase in normal costs associated with the new hybrid plan's 6% assumed rate of return (for new hires choosing the plan, beginning February 1, 2018).								

Source: State Budget Office

Table 24 outlines the FY 2018-19 estimated contributions to SERS and MPERS by the State and local employers, as proposed in the Governor's budget. The total combined cost of the estimated employer (State and local) contributions is approximately \$5.0 billion.

Table 24

FY 2018-19 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS (millions of dollars)	
<u>State Employees' Retirement System (SERS)¹⁾</u>	
Defined Benefit Pension	\$182.0
Defined Contribution	565.0
Retiree Health Care	765.0
Subtotal State Employees' Retirement System ²⁾	<u>\$1,512.0</u>
<u>Michigan Public School Employees' Retirement System (MPERS)³⁾</u>	
<u>Local Share</u>	
Defined Benefit Pension ⁴⁾	\$1,590.0
Defined Benefit Health Care	732.0
"401k" for Health Care	16.0
Subtotal Public School Employees' Retirement System (Local)	<u>\$2,338.0</u>
<u>State Share</u>	
Unfunded Accrued Liabilities (Pension and Health)	<u>\$1,113.0</u>
Subtotal Michigan Public School Employees' Retirement System	<u>\$3,460.0</u>
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS.....	<u>\$4,963.0</u>
FY 2017-18 Estimated Subsidy Per K-12 Pupil on Average.....	\$700
1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2017-18 will be the seventh year of prefunding retiree health. 2) Excludes FICA, which totals approximately \$260.0 million. 3) Excludes DC contributions for pension; includes DC contributions for health. 4) Includes roughly \$95.2 million reimbursed by the State due to AROR normal cost increases, and \$100.0 million reimbursed by the State under Sec. 147a of the School Aid Act.	

For the fourth year, the Governor's proposed budget includes a boilerplate section for each department identifying how much of the appropriation is in support of the legacy costs associated with the State Employees' Retirement System. As noted earlier, the total contributions made to a retirement system are a combination of a payment toward the past unfunded accrued liabilities for benefits already earned (legacy costs) and a payment toward the accrual of service credit in the future (normal costs). As shown on Table 24, the total contributions in the State Employees' Retirement System are estimated by the Senate Fiscal Agency at \$1.5 billion, and of that total, \$1.3 billion is estimated by the State Budget Office for legacy costs (both pension and health), with the remaining \$200.0 million for normal costs including State DC contributions for SERS. Table 25 identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 25**FY 2018-19****LEGACY COSTS BREAKOUT – PENSIONS AND HEALTH CARE**

Department	Pension-Related Legacy Costs (Retirement) Gross	Health Care Legacy Costs (OPEB) Gross	Total Legacy Costs Gross
Agriculture & Rural Development	\$5,729,700	\$6,698,700	\$12,428,400
Attorney General	8,321,100	9,728,400	18,049,500
Civil Rights	1,179,300	1,378,700	2,558,000
Corrections	147,129,800	172,012,000	319,141,800
Education	7,189,700	8,405,600	15,595,300
Environmental Quality	15,475,100	18,092,300	33,567,400
Health & Human Services	168,379,300	196,855,200	365,234,500
Insurance & Financial Services	4,385,700	5,127,400	9,513,100
Judiciary	6,513,000	7,614,500	14,127,500
Licensing & Regulatory Affairs	26,355,100	30,812,200	57,167,300
Military & Veterans Affairs	8,072,200	9,437,300	17,509,500
Natural Resources	21,973,000	25,689,000	47,662,000
State	14,132,900	16,523,000	30,655,900
State Police	77,070,000	71,235,500	148,305,500
Talent & Economic Development	14,979,800	17,513,200	32,493,000
Technology, Management & Budget	39,278,600	45,921,300	85,199,900
Transportation	31,218,300	36,497,900	67,716,200
Treasury	20,302,200	23,735,600	44,037,800
TOTAL	\$617,684,800	\$703,277,800	\$1,320,862,600

Source: State Budget Office

Debt Service Adjustments

Table 26 provides a summary of recommended debt service appropriations for FY 2018-19. These include School Bond Loan Fund bonds in K-12 School Aid; State park improvement revenue bonds appropriated in the Department of Natural Resources; debt service costs related to the Facility for Rare Isotope Beams and the Community College Skilled Trades Equipment Program appropriated in the Department of Talent and Economic Development; State Building Authority rent payments appropriated in the Department of Technology, Management, and Budget (DTMB); various transportation-related bonds in the Department of Transportation; and general obligation bonds in the Department of Treasury. Gross appropriations for debt service on these bonds would total \$731.4 million for FY 2018-19. This represents a \$9.7 million (1.3%) increase from the \$721.7 million debt service appropriations in FY 2017-18.

Table 26

DEBT SERVICE APPROPRIATIONS FY 2018-19 COMPARED WITH FY 2017-18				
Department/Program	FY 2017-18 Gross Appropriation	FY 2018-19 Governor's Rec.	Dollar Change	Percent Change
Natural Resources				
State Park Improvement Revenue Bonds	\$1,191,000	\$1,195,700	\$4,700	0.4%
Subtotal Natural Resources	\$1,191,000	\$1,195,700	\$4,700	0.4%
School Aid				
School Bond Loan	\$125,500,000	\$125,500,000	\$0	0.0%
Subtotal School Aid	\$125,500,000	\$125,500,000	\$0	0.0%
Talent and Economic Development¹				
Facility For Rare Isotope Beams (MSF)	\$7,300,000	\$7,300,000	\$0	0.0%
Community College Skilled Trades Equipment Program (MSF).....	4,600,000	4,600,000	0	0.0
Subtotal Talent & Economic Dev.	\$11,900,000	\$11,900,000	\$0	0.0%
DTMB-State Building Authority Rent				
State Agencies	\$49,665,800	\$55,581,600	\$5,915,800	11.9%
Department of Corrections	21,029,900	18,318,800	(2,711,100)	(12.9)
Universities	144,995,300	155,478,500	10,483,200	7.2
Community Colleges	30,879,600	36,378,100	5,498,500	17.8
Subtotal Technology, Mgt., & Budget.....	\$246,570,600	\$265,757,000	\$19,186,400	7.8%
Transportation				
State Trunkline	\$185,109,100	\$175,580,400	(\$9,528,700)	(5.1%)
Economic Development.....	11,548,300	11,595,300	47,000	0.4
Local Bridge Fund	2,315,400	2,315,700	300	0.0
Blue Water Bridge Fund	7,105,100	7,106,300	1,200	0.0
Airport Safety and Protection Plan	4,617,000	3,437,900	(1,179,100)	(25.5)
Comprehensive Transportation	18,244,500	19,401,500	1,157,000	6.3
Subtotal Transportation	\$228,939,400	\$219,437,100	(\$9,502,300)	(4.2%)
Treasury				
Quality of Life Bond	\$21,964,000	\$21,964,000	\$0	0.0%
Clean Michigan Initiative.....	62,751,000	62,751,000	0	0.0
Great Lakes Water Initiative	22,865,000	22,865,000	0	0.0
Subtotal Treasury	\$107,580,000	\$107,580,000	\$0	0.0%
TOTAL.....	\$721,681,000	\$731,369,800	\$9,688,800	1.3%

¹ Does not include Michigan Strategic Fund (MSF) bonding for the Cadillac Place, House Office Building, or Senate Office Building, or debt issued by authorities other than the State Building Authority (such as MSHDA or the Michigan Finance Authority).

Tobacco Settlement Revenue and Appropriations

In 1998, a Master Settlement Agreement was reached between 46 states, including Michigan, and certain U.S. tobacco manufacturers, to provide annual payments to states. The payments began in 2000 and will continue in perpetuity. As Table 27 illustrates, there are several transfers out of the tobacco settlement revenue before it is deposited into the Merit Award Trust Fund, where it is available for appropriation by the Legislature. Pursuant to law, \$75.0 million of the tobacco settlement revenue is earmarked each fiscal year, from FY 2007-08 through FY 2018-19, for the 21st Century Jobs Trust Fund. Also pursuant to law, \$17.5 million of the tobacco settlement revenue is deposited each fiscal year, from FY 2014-15 through FY 2034-35, into the Budget Stabilization Fund as repayment for an FY 2013-14 State appropriation of \$194.8 million to the Settlement Administration Fund to help mitigate the impact of the City of Detroit bankruptcy on its pensioners. A new statutory earmark for the Community District Trust Fund of \$72.0 million annually, for 10 years, was enacted in FY 2016-17 to implement a new system for schools in Detroit.

The other transfer of funds from tobacco settlement revenue is for debt service on the securitization of a portion of the tobacco settlement revenue in 2006 and 2007. The debt service amount for FY 2018-19 is estimated to be \$68.8 million. Under the Governor's proposal, there would be an estimated FY 2018-19 year-end balance of \$3.3 million in the Merit Award Trust Fund.

Table 27

TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS FY 2017-18 COMPARED TO FY 2018-19 GOVERNOR'S RECOMMENDATION (actual dollars)			
	FY 2017-18 Year-To-Date	FY 2018-19 Gov's Rec.	Gov's Rec. Chg. From FY 2017-18
Revenue			
Unreserved Balance From Prior Fiscal Year	\$4,289,100	\$5,263,500	\$974,400
Total Annual Payments	304,969,500	303,406,400	(1,563,100)
Assumed Withheld Payments	(18,298,200)	(18,204,400)	93,800
Settlement Credit to Manufacturers.....	0	0	0
Interest Earnings	703,000	893,400	190,400
Total Tobacco Settlement Revenue	\$291,663,400	\$291,358,900	(\$304,500)
Less Transfers Out For:			
21st Century Jobs Trust Fund	(\$75,000,000)	(\$75,000,000)	\$0
Detroit Public Schools Trust Fund	(72,000,000)	(72,000,000)	0
Payment to Budget Stabilization Fund (Detroit)	(17,500,000)	(17,500,000)	0
Payment on 2006 Bond Securitization	(38,242,000)	(38,045,900)	196,100
Payment on 2007 Bond Securitization	(30,874,500)	(30,716,300)	158,200
Total Transfers Out	(\$233,616,500)	(\$233,262,200)	\$354,300
Net Revenue To Merit Award Trust Fund.....	\$58,046,900	\$58,096,700	\$49,800
Appropriations			
<u>Attorney General</u>			
Operations	\$499,500	\$506,700	\$7,200
<u>Health and Human Services</u>			
Medicaid Base-Long-term Care.....	46,200,000	48,200,000	2,000,000
Aging-Respite Care	4,068,700	4,068,700	0
<u>State Police</u>			
Tobacco Tax Enforcement	843,000	846,800	3,800
<u>Department of Treasury</u>			
Student Financial Services Administration	1,172,200	1,187,300	15,100
Total Merit Award Trust Fund Appropriations.....	\$52,783,400	\$54,809,500	\$2,026,100
MERIT AWARD TRUST FUND YEAR-END BALANCE	\$5,263,500	\$3,287,200	(\$1,976,300)

Data Source: State Budget Office

Budget Stabilization Fund

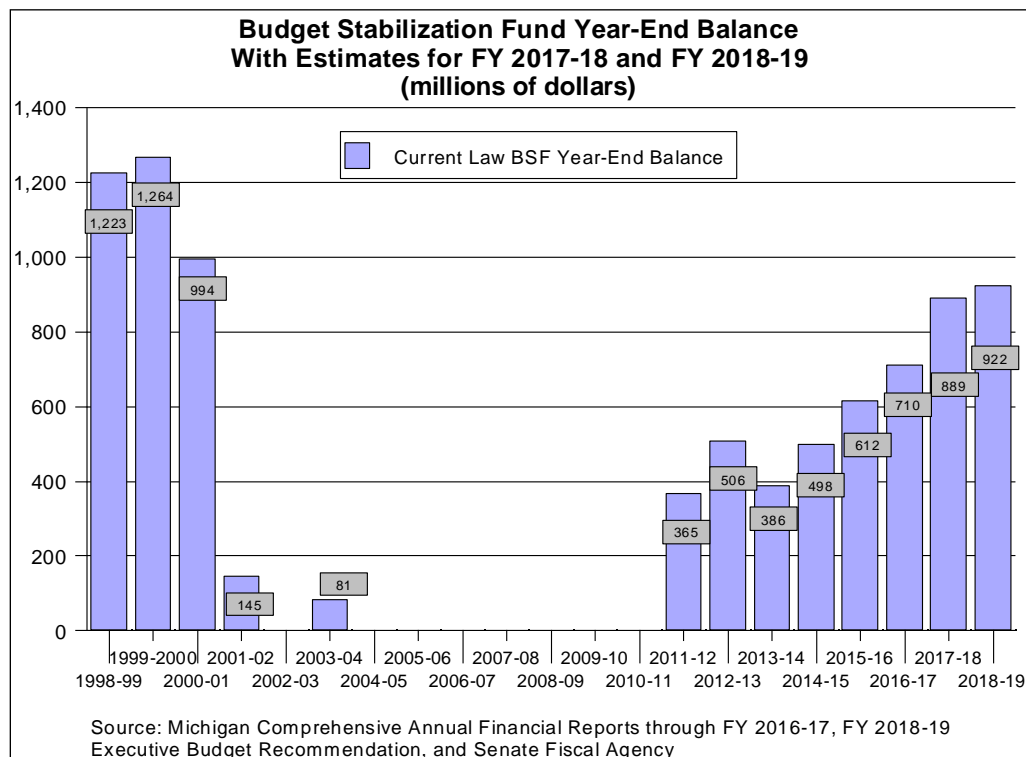
The Budget Stabilization Fund (BSF) is the State's "Rainy Day" fund or cash reserve. In years of economic growth, deposits may be made to the Fund, and in years of recession, money may be withdrawn to cushion the budgetary impact of declining State revenue or for job creation activities. Statutory formulas direct the amount of the pay-in or pay-out from the BSF; however, the Legislature has the authority to appropriate the formula amount or a different amount.

The BSF balance was \$710.0 million at the close of FY 2016-17. Deposits of \$167.5 million have been appropriated for FY 2017-18. Public Act 107 of 2017 appropriated \$150.0 million GF/GP to the BSF in FY 2017-18 and the Michigan Trust Fund Act requires the deposit of \$17.5 million from tobacco settlement revenue into the BSF each year from FY 2014-15 to FY 2034-35. The Trust Fund Act transfers reimburse the BSF for a \$194.8 million withdrawal in FY 2013-14 related to the Detroit bankruptcy settlement. Based on the appropriated deposits and estimated interest earnings, the BSF balance at the close of FY 2017-18 is estimated at \$889.1 million.

The Governor recommends a deposit of 25% of lapsed funds from FY 2017-18 to the BSF in FY 2018-19. There is no way to know the amount of lapses before book-closing, so no estimate is provided for FY 2018-19.

Based on current appropriations and estimated interest earnings, the BSF balance at the close of FY 2018-19 is estimated at \$922.2 million. The history of the BSF year-end balances and the estimate for FY 2018-19 are shown in [Figure C](#).

Figure C



Recent State Appropriation History

Table 28

ADJUSTED GROSS APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$36,953.3	\$1,535.6	4.3%
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,908.5	793.2	2.0
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,942.0	4,325.5	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12	47,598.1	(491.6)	(1.0)
2012-13	47,758.6	160.6	0.3
2013-14	50,199.5	2,440.9	5.1
2014-15	53,247.0	3,047.5	6.1
2015-16	53,540.8	293.8	0.6
2016-17	54,574.3	1,033.5	1.9
2017-18	55,761.7	1,187.4	2.2
2018-19 (Gov's Rec.)	55,897.4	135.7	0.2
Change FY 2008-09 to FY 2018-19		\$7,955.4	16.6%
Detroit CPI 10-Year Percent Change			15.0%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, \$75.0 million, and \$150.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18, respectively; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

Table 29

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$25,761.6	\$1,182.6	4.8%
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.9	(2,131.4)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12	27,346.9	1,080.3	4.1
2012-13	27,847.1	500.2	1.8
2013-14	29,164.7	1,317.6	4.7
2014-15	29,867.7	703.0	2.4
2015-16	30,342.2	474.4	1.6
2016-17	31,223.0	880.8	2.9
2017-18	32,227.0	1,004.0	3.2
2018-19 (Gov's Rec.)	32,826.7	599.8	1.9
Change FY 2008-09 to FY 2018-19		\$6,516.8	24.8%
Detroit CPI 10-Year Percent Change			15.0%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, \$75.0 million, and \$150.0 million, for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18, respectively; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

Table 30

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$9,744.4	\$136.7	1.4%
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,702.8	(67.3)	(0.8)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.7	(1,412.0)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12	8,341.1	(83.6)	(1.0)
2012-13	9,024.2	683.2	8.2
2013-14	9,571.3	547.1	6.1
2014-15	9,691.1	119.8	1.3
2015-16	10,157.9	466.8	4.8
2016-17	10,057.5	(100.4)	(1.0)
2017-18	10,081.5	24.0	0.2
2018-19 (Gov's Rec.)	10,049.3	(32.1)	(0.3)
Change FY 2008-09 to FY 2018-19		\$1,480.6	17.3%
Detroit CPI 10-Year Percent Change			15.0%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, 75.0 million, and \$150.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18, respectively; does not include \$230.0 million FY 2013-14 appropriation for the Roads and Risks Reserve Fund.			

Table 31

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (millions of dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
2000-01	\$10,019.2	\$36,953.3	27.11%
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,730.5	47,598.1	41.45
2012-13	19,372.7	47,758.6	40.56
2013-14	20,500.2	50,199.5	40.84
2014-15	22,840.1	53,247.0	42.89
2015-16	22,799.4	53,540.8	42.58
2016-17	22,956.1	54,574.3	42.06
2017-18	23,153.9	55,761.7	41.52
2018-19 (Gov's Rec.)	22,684.8	55,897.4	40.58
Change FY 2008-09 to FY 2018-19		7.4%	16.6%

Table 32

APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
2000-01	64,602.5	971.6	1.5%
2001-02	64,190.1	(412.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,811.1	(4,949.1)	(7.9)
2004-05	57,028.3	(782.8)	(1.4)
2005-06	56,436.4	(591.9)	(1.0)
2006-07	56,760.3	323.9	0.6
2007-08	57,041.7	281.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,597.2	(893.9)	(1.6)
2010-11	56,089.3	492.1	0.9
2011-12	54,795.5	(1,293.8)	(2.3)
2012-13	53,583.5	(1,212.0)	(2.2)
2013-14	52,797.5	(786.0)	(1.5)
2014-15	52,853.5	56.0	0.1
2015-16	52,702.9	(150.6)	(0.3)
2016-17	52,756.0	53.1	0.1
2017-18	52,893.5	137.5	0.3
2018-19 (Gov's Rec.)	53,358.5	465.0	0.9
Change FY 2008-09 to FY 2018-19		(3,132.6)	(5.5%)
Detroit CPI 10-Year Percent Change			15.0%
Note: Includes exempt positions in Judiciary.			

Table 33

SCHOOL AID K-12 APPROPRIATION HISTORY (millions of dollars)			
State-Funded K-12			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$10,732.3	\$656.5	6.5%
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.0	194.5	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,088.9	285.5	2.6
2012-13	11,211.0	122.1	1.1
2013-14	11,506.1	295.1	2.6
2014-15	11,865.8	359.7	3.1
2015-16	11,960.5	94.7	0.8
2016-17	12,323.2	362.7	3.0
2017-18	12,857.4	534.2	4.3
2018-19 (Gov's Rec.)	12,911.2	53.8	0.4
Change FY 2008-09 to FY 2018-19		\$1,813.4	16.3%
Detroit CPI 10-Year Percent Change			15.0%

Table 34

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2019-20				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,200	119,900	1,552,100
90/10	2012-13	1,405,599	130,390	1,535,989
90/10 CY	2013-14	1,374,800	147,828	1,522,628
90/10 CY	2014-15	1,356,640	151,368	1,508,008
90/10	2015-16	1,344,369	151,611	1,495,980
90/10	2016-17	1,338,231	152,933	1,491,164
90/10	2017-18 Est.	1,336,900	146,600	1,483,500
90/10	2018-19 Est.	1,331,900	146,600	1,478,500
90/10	2019-20 Est.	1,328,000	147,000	1,475,000

Table 35

STATE SPENDING PER PUPIL HISTORY			
Fiscal Year	State-Funded Approps. (millions of dollars)	Pupils (millions)	Appropriations Per Pupil
2000-01	\$10,732.3	1.7042	\$6,297
2001-02	11,220.6	1.7096	6,563
2002-03	11,334.6	1.7149	6,609
2003-04	11,059.3	1.7144	6,450
2004-05	11,113.5	1.7078	6,507
2005-06	11,308.1	1.6975	6,661
2006-07	11,597.0	1.6811	6,898
2007-08	11,421.8	1.6526	6,911
2008-09	11,097.8	1.6197	6,851
2009-10	10,675.1	1.5957	6,690
2010-11	10,803.4	1.5694	6,884
2011-12	11,088.9	1.5521	7,144
2012-13	11,211.0	1.5360	7,299
2013-14	11,506.1	1.5226	7,557
2014-15	11,865.8	1.5080	7,869
2015-16	11,960.5	1.4960	7,995
2016-17	12,323.2	1.4912	8,264
2017-18	12,857.4	1.4835	8,667
2018-19 (Gov's Rec.)	12,911.2	1.4785	8,733

Table 36

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE HISTORY			
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change
2000-01	\$6,000	\$6,000	N/A
2001-02	6,500	6,500	8.3%
2002-03	6,700	6,626	1.9
2003-04	6,700	6,626	0.0
2004-05	6,700	6,700	1.1
2005-06	6,875	6,875	2.6
2006-07	7,108	7,108	3.4
2007-08	7,204	7,204	1.4
2008-09	7,316	7,316	1.6
2009-10	7,316	7,151	(2.3)
2010-11	7,316	7,146	0.0
2011-12	6,846	6,846	(4.2)
2012-13	6,966	6,966	1.8
2013-14	7,076	7,076	1.6
2014-15	7,251	7,251	2.5
2015-16	7,391	7,391	1.9
2016-17	7,511	7,511	1.6
2017-18	7,631	7,631	1.6
2018-19 (Gov's Rec.)	7,871	7,871	3.1
10-Year Change	\$555	\$555	
10-Year % Change	7.6%	7.6%	
10-Year Detroit CPI % Change		15.0%	

Table 37

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (millions of dollars)				
Budget Area	FY 2008-09 Year-to-Date Appropriations	FY 2018-19 Gov's Rec. Appropriations	Dollar Difference	Percent Change
Health and Human Services	\$5,445.1	\$6,999.4	\$1,554.3	28.5%
Corrections	1,832.5	2,020.8	188.3	10.3%
K-12 School Aid	11,097.8	12,911.2	1,813.4	16.3%
Community Colleges	299.4	405.0	105.7	35.3%
Higher Education	1,576.2	1,545.9	(30.3)	(1.9%)
Revenue Sharing-Constitutional	649.1	832.3	183.2	28.2%
Revenue Sharing-Nonconstitutional	391.0	466.3	75.3	19.2%
All Other Programs	5,018.8	7,645.7	2,626.9	52.3%
Total State Spending	\$26,309.9	\$32,826.7	\$6,516.8	24.8%
Addendum:				
Medicaid Caseload	1,708,157	2,450,000	741,843	43.4%
Prison Population	50,203	39,688	(10,515)	(20.9%)
K-12 Pupil Count	1,619,744	1,478,500	(141,244)	(8.7%)
University Students	257,148	259,711	2,563	1.0%
Community College Students	157,225	124,868	(32,357)	(20.6%)
Michigan Personal Income (millions)	\$339,681.2	\$487,577.0	\$147,895.8	43.5%
Detroit Consumer Price Index	202.8	233.1	30.3	15.0%
NOTES: Revenue Sharing: Constitutional number is the January 2018 Consensus Revenue Estimating Conference (CREC) estimate. Medicaid Caseload: Number for FY 2018-19 includes the estimated 670,000 individuals who are eligible under the expansion of Medicaid. Prison Population: These are the most recent year-end numbers published by the Department of Corrections for calendar years 2007 and 2017, respectively. K-12 Pupils: FY 2018-19 pupil count is the January 2018 CREC estimate. Community College and University Students: Numbers in FY 2018-19 column reflect the most recent data available, which are FY 2016-17 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI). Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2018-19 numbers are January 2018 CREC estimates.				